DOCUMENT RESUME

ED 307 834 HE 022 192

TITLE	A Self-Instructional Course in Student Financial Aid Administration. Module 12: The Campus-Based Programs: SEOG, CWS, and Perkins Loan. Second Edition.
INSTITUTION	Office of Student Financial Assistance (ED), Washington, DC.; Washington Consulting Group, Inc., Washington, DC.
PUB DATE	20 Aug 88
NOTE	89p.; For related documents, see HE 022 181-198.
PUB TYPE	Guides - Non-Classroom Use (055) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Administrator Responsibility; Administrator Role; Educational Finance; *Eligibility; *Federal Aid; Federal Government; Federal Programs; *Grants; Higher Education; Program Administration; Programed Instructional Materials; *Student Financial Aid; *Student Financial Aid Officers; *Student Loan Programs
IDENTIFIERS	College Work Study Program; Department of Education; Higher Education Act Title IV; Paying For College; Perkins Loan Program; Supplemental Educational Opportunity Grants

ABSTRACT

The twelfth module in a 17-module self-instructional course on student financial aid administration discusses campus-based financial programs. They are SEOG (Supplemental Educational Opportunity Grant), CWS (College Work-Study), and Perkins Loans. It is part of a full course designed for novice financial aid administrators and other institutional personnel needing a systematic introduction to the management of federal financial aid programs authorized by Title IV of the Higher Education Act. It teaches how to define and describe campus-based programs, describe the transfer provisions of the SEOG and CWS programs, and describe the institution's due diligence responsibilities for the Perkins loan program. Four sections focus on the following: (1) allocation and administration of campus-based funds (institutional allocation, fund management and administrative coordination); (2) the SEOG program (student eligibility and awards); (3) the CWS program (i.e. job placement, employment conditions, selection and placement procedures, and paying the student and monitoring expenditures); and (4) the Perkins Loan program (e.g., loan amounts, applicable interest rates, and disbursing Perkins Loan funds). A pre-test, post-test, glossary, and acronyms are provided. Four appendices are: sample CWS material, sample Perkins Loan materials, Department of Education due diligence requirements, and annual campus-based authorization letter. Contains five references. (SM)

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A Self-Instructional Course in Student Financial Aid Administration

An Introduction and Guide to the Administration of Federal Title IV Student Financial Aid Programs

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Campus-Based Programs: SEOG, CWS, & Perkins Loan

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A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

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This publication is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course consists of the following modules:

1. Student Financial Aid Administration: Course Study Guide and Introduction to the Field
2. Federal Student Financial Aid: History and Current Sources
3. The Legislative and Regulatory Processes
4. Roles and Responsibilities of the Financial Aid Office
5. Title IV Institutional and Program Eligibility
6. General Student Eligibility
7. Calculating Cost of Attendance
8. Need Analysis
9. Award Packaging
10. The Pell Grant Program
11. The Stafford Loan, SLS, and PLUS Programs
12. Campus-Based Programs: SEOG, CWS, and Perkins Loan
13. Verification
14. Authorization, Fiscal Operations, and Reporting
15. Internal Aid Office Management and Institutional Quality Control
16. Forms and Publications
17. Evaluation of Student Aid Management: Self-Evaluation, Audit, and Program Review

The course includes a Support Booklet with the complete course glossary, acronyms, key resources, bibliography, and index, as well as addresses of publishers mentioned in the course. The Support Booklet also offers guidelines for further study.

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

October 1988

Dear Colleague:

We are pleased to present the Second Edition of A Self-Instructional Course in Student Financial Aid Administration. This updated version of the course originally published in 1986 incorporates provisions of the Higher Education Amendments of 1986, with 1987 Technical Amendments and subsequent amendments.

The purpose of the course remains the same. It is designed to provide neophyte financial aid administrators (those with two years or less experience in student aid) and other institutional personnel with a systematic introduction to management of federal financial aid programs authorized by Title IV of the Higher Education Act. Students of the course will gain a fundamental understanding of the roles and responsibilities of participating institutions and of student aid administrators. On completion of the course, they will be prepared to expand this knowledge with the use of training and reference materials, on-site training opportunities, and contacts with other members of the profession.

The materials were revised under a contract with the Washington Consulting Group. The text was reviewed for technical accuracy by many staff members of the Office of Student Financial Assistance (OSFA). Special acknowledgement is due to both project staff and OSFA specialists for accomplishing very wide-ranging modifications of the text during a period when much legislative and regulatory activity affecting student aid was in progress.

Your comments and suggestions regarding any aspect of the materials are welcome. OSFA is particularly interested in learning 1) the level of experience and job responsibilities of personnel at your institution using the modules; 2) the purposes for which they are being used (for example, self-study, training new staff, reference); and 3) whether you feel that this publication is among those that OSFA should continue to update and disseminate annually. You may send your comments to the Training Branch, OSFA/ED, 400 Maryland Avenue S.W., Washington, D.C. 20202.

Sincerely,

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Enclosure

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☆ U.S. GOVERNMENT PRINTING OFFICE : 1988 0 - 222-546 (Book #1)

MODULE 12

CAMPUS-BASED PROGRAMS: SEOG, CWS, AND PERKINS LOAN

The technical information in this module is based on laws, regulations, policies, and procedures in effect as of:

August 20, 1988

This is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course has been prepared by The Washington Consulting Group, Inc., under a contract with the U.S. Department of Education.

The course consists of 17 modules and a support booklet. It provides an introduction and guide to the administration of student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. The titles of the modules are listed on the inside front cover of this publication.

Institutions may freely reproduce the course for their own use. For more information on the course, contact one of the Department of Education offices listed on the inside back cover of this publication.

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MODULE 12

CAMPUS-BASED PROGRAMS: SEOG, CWS, AND PERKINS LOAN

❑ LEARNING OBJECTIVES

After completing this module, you will be able to describe the provisions of the three campus-based programs. In particular, you will be able to:

- ✧ define the term *campus-based;*
- ✧ understand institutional responsibilities for administering the campus-based programs: the Supplemental Educational Opportunity Grant (SEOG), College Work-Study (CWS), and Perkins Loan programs;
- ✧ describe the three campus-based programs;
- ✧ understand the coordination requirements for the prevention of overawards;
- ✧ describe the transfer provisions of the SEOG and CWS programs, and relate this flexibility to the fund management plan;
- ✧ describe the carry forward/carry back provisions of the CWS program;
- ✧ understand student eligibility requirements for the three campus-based programs;
- ✧ describe job placement requirements for the CWS program; and
- ✧ describe the institution's due diligence responsibilities for the Perkins Loan program.

❑ INTRODUCTION

The subject of this module is the *campus-based* programs: the Supplemental Educational Opportunity Grant (SEOG), College Work-Study (CWS), and Perkins Loan (formerly the National Direct Student Loan) programs. These three federal programs provide funds directly to participating institutions. As we discussed in Module 9, Award Packaging, institutions are responsible for developing policies to select eligible students and award campus-based funds to them.

In this module we focus on the three federal aid programs that allow an aid administrator to create award packages that best meet the needs of students. Within federal regulations, institutions have flexibility in the use of CWS, SEOG, and Perkins Loan program funds. In addition to developing the policy for awarding these funds to meet students' financial needs, the aid administrator may transfer a limited amount of funds between two of the three programs and between award years. These transfer provisions enable institutions to manage their annual award allocations and to meet institutional and student needs most effectively.

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance to students with exceptional financial need who have not yet earned a bachelor's degree or its equivalent. As its name suggests, this grant program supplements the grant assistance offered by the Pell Grant and other state grant programs, especially for high need students.

The College Work-Study (CWS) program provides on- and off-campus job opportunities for eligible undergraduate and graduate students who would not be able to enroll or remain enrolled without CWS earnings. The CWS program is a matching funds program, requiring different percentages of matching funds from employers depending upon the category of CWS employment. Institutions determine the amount of CWS awards, which, in combination with other aid, must not exceed a student's financial need.

The Perkins Loan (formerly National Direct Student Loan) program provides low-interest (5%) loans to both undergraduate and graduate students who show exceptional financial need. This is another matching funds program, with the institution contributing at least one-tenth of the total Perkins Loan fund. Loan amounts are based on the student's academic level and the institution's packaging policy. The institution making the loan is responsible for collecting repayment on the loan once the student graduates or withdraws. Repayments returned to the institution's loan fund are loaned again to other eligible students from this revolving fund.

Institutions apply annually for campus-based funds. Your institution may participate in one or more of the programs. Regardless of your level of participation, it is vital for you to have a knowledge of program coordination requirements and management responsibilities. This module will provide an overview of all of them. Because of the varied purposes and administrative requirements of the three programs, they call for careful study and monitoring. We will present a description of each program and provide guidelines and case studies to assist you in managing them.

Coordination of all the Title IV programs in award packaging was discussed in Module 9. Further discussion of institutional management and reporting requirements for campus-based programs will be found in Modules 14 and 15. All of these modules provide essential information on how the campus-based Title IV programs operate.

❑ FOR SPECIAL ATTENTION...

Major changes have occurred as a result of the Higher Education Amendments of 1986, as amended by the Technical Amendments of 1987. Some of the most significant changes affecting the campus-based programs are:

- ✧ the method of allocating funds to institutions under each program has been changed.
- ✧ if an institution's allocation of funds is directly or indirectly based on the financial need of students who are enrolled on a less-than-half-time basis, the institution must use a reasonable portion of its campus-based allocation for awards to those students.
- ✧ the *maintenance of effort* requirement for the SEOG and CWS programs has been eliminated.

- to allow for uneven variations in a student's costs or resources during an academic year, an institution may provide additional SEOG funds for a particular payment period.

- a preliminary determination of Pell Grant program eligibility must be made for an undergraduate applicant for the Perkins Loan program.

- new deferment provisions have been added for Perkins Loan borrowers.

- proprietary schools may now employ students under the CWS program if the on-campus employment positions are directly related to student services.

- the federal share of CWS compensation earned by students working for the institution, for a federal, state, or local agency, or for a private nonprofit organization will be 80% for the 1988-89 award year but will be reduced in subsequent award years.

- the federal share of CWS compensation for students working for private for-profit organizations will be 60% for the 1988-89 award year but will be reduced in subsequent award years.

- a second job location and development program was added to the CWS statute. This program authorizes an institution to use up to 10% of its CWS allocation or $20,000, *whichever is the lesser amount*, to fund a Community Service Job Location and Development Program.

More details of these and other changes are given in later sections of this module.

PRE-TEST

1. Transfer of funds between programs is allowed only in:

   a. Perkins Loan and SEOG
   b. CWS and SEOG
   c. CWS and Perkins Loan

2. The purpose of a Perkins Loan exit interview is to: (circle all that apply)

   a. stress the borrower's rights and responsibilities under the program
   b. collect the first loan payment prior to the student's departure from the institution
   c. have the student sign a promissory note for the cumulative amount borrowed
   d. carefully review the terms of the loan and the borrower's repayment schedule

3. In almost all cases, institutions are required to pay students employed under the College Work-Study program at least the federal minimum wage rate. True or False?

4. In administering the campus-based aid programs, which of the following officials or agencies has responsibility for the selection of campus-based aid recipients?

   a. a state student loan guarantee agency
   b. the institution's financial aid administrator
   c. the Pell Grant processor
   d. the Department of Education

5. Unless a special waiver is granted, the maximum federal share of gross wages paid for the CWS program is: (circle all that apply)

   a. 90% for Community Service Learning program employment
   b. 80% for all work-study programs in FY 1987-88 and beyond
   c. 60% for private, for-profit sector employment
   d. 40% for all forms of student employment

6. Institutions participating in the campus-based programs are allowed to support the administrative costs of the programs by: (circle all that apply)

   a. subtracting their Perkins Loan Institutional Capital Contribution from their Perkins Loan Fund
   b. applying directly to the Department of Education for an administrative cost allowance
   c. calculating an administrative cost allowance and taking it from one or more campus-based accounts
   d. transferring 10% of SEOG and CWS funds to institutional accounts each year

7. College Work-Study job placements are restricted to on-campus locations. True or False?

8. Which set of programs is identified as the campus-based programs?

   a. CWS, Perkins Loan, and SEOG
   b. PLUS, Stafford Loan, and CWS
   c. Pell Grant, SEOG, and SSIG
   d. CWS, Perkins Loan, and Stafford Loan

9. An institution is required to provide borrowers with full and timely disclosure of their rights and obligations under the Perkins Loan program, as well as to persistently and forcefully collect student loans. This process is called:

   a. due diligence
   b. truth in lending
   c. student consumerism
   d. administrative capability

10. Which programs allow funds to be awarded to less-than-half-time students? (circle all that apply)

   a. SEOG
   b. Perkins Loan
   c. CWS
   d. Stafford Loan

11. Default on a Perkins Loan occurs when: (circle all that apply)

   a. a student fails to comply with any terms of the loan
   b. three consecutive late payments have been received from the student
   c. 30 days have elapsed in the student's grace period
   d. a student has failed to make a required loan payment(s) or meet the other terms of the promissory note

12. Which of the following are characteristics of the SEOG program? (circle all that apply)

   a. a 10% transfer of funds to the CWS program is allowed
   b. funds are awarded to undergraduate and graduate students
   c. matching funds called an Institutional Capital Contribution must be provided each year by the institution
   d. funds are awarded first to students having exceptional financial need
   e. there is a $100 award minimum and $4,000 award maximum per academic year
   f. up to a 5% administrative cost allowance may be taken by the institution

13. Which Title IV student aid program allows a portion of the program's funds to be carried forward or back (transferred) between award years?

   a. Stafford/SLS/PLUS
   b. SEOG
   c. CWS
   d. Perkins Loan

ANSWERS

1. b. (12.2.1)*
2. a. and d. (12.18)
3. True. (12.11.1)
4. b. (12.3)
5. a. and c. (12.7.1, 12.7.2)
6. c. (12.2.4)
7. False. (12.8)
8. a. (12.1)
9. a. (12.18, Appendix C)
10. a., b., and c. (12.4, 12.6)
11. a. and d. (12.16)
12. a., d., e., and f. (12.2.4, 12.5)
13. c. (12.2.2.)

*For quick access to information on this question, see this section.

Questions: 13 Your Score:____ Percentage:____

ALLOCATION AND ADMINISTRATION OF CAMPUS-BASED FUNDS

12.1 THE INSTITUTIONAL ALLOCATION

The Supplemental Educational Opportunity Grant (SEOG), College Work-Study (CWS), and Perkins Loan programs are authorized by Title IV of the Higher Education Act of 1965, as amended. These programs are referred to as *campus-based* because the federal funds annually appropriated by Congress are allocated directly to participating institutions. Institutions are responsible for developing policies to select eligible students and award campus-based funds to them. The specific policies vary from institution to institution, but must be published, uniformly applied, and in compliance with Department of Education regulations. In Module 9 we examined how two institutions developed and applied their policies in making campus-based and institutional aid awards.

In this module, we are using "Perkins Loan" to refer to the Title IV campus-based loan program formerly known as the NDSL program. Officially, Perkins Loans are loans made to first-time borrowers for periods of enrollment beginning July 1, 1987. Their terms differ in some respects from those for the earlier NDSL (Defense/Direct) loans.

To participate in the campus-based programs, institutions must execute a Program Participation Agreement with the Department of Education. This process is explained in more detail in Module 5, Title IV Institutional and Program Eligibility.

For information on institutional participation in campus-based Title IV programs, see Module 5, Title IV Institutional and Program Eligibility.

To receive an annual allocation, or *authorization*, for one or more of the campus-based programs, institutions must submit an application to participate each year. This application form, referred to as the FISAP, is submitted to the Department of Education in September of each year. Institutions may apply for funding for any or all of the campus-based programs. This process is explained in more detail in Module 14, Authorization, Fiscal Operations, and Reporting.

FISAP is an acronym for the Department of Education's Fiscal Operations Report (report of expenditures from the previous award year) and Application to Participate (for the upcoming award year). This combined document, serving both purposes, is filed each year with the Department of Education.

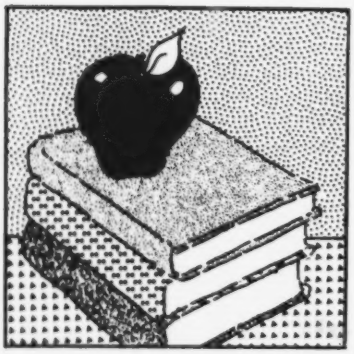
For further information on the FISAP, see Module 14, Authorization, Fiscal Operations, and Reporting.

The annual allocation for each of these programs is directly distributed to participating institutions according to a statutory formula. The actual amount of federal funding received by an institution is based upon a number of factors. These factors include:

- ✧ total full- and part-time enrollment;
- ✧ the number and income levels of eligible aid applicants;

For a detailed explanation of the campus-based aid funding process, see the Higher Education Amendments of 1986:
- Section 413 D for SEOG
- Section 442 for CWS
- Section 462 for Perkins Loan

- ✧ total tuition and fee revenues;
- ✧ total institutional grants and scholarships;
- ✧ total state and Pell Grants;
- ✧ the previous award year's expenditures for each campus-based program;
- ✧ the institution's request for campus-based funding; and
- ✧ for the Perkins Loan program, the amount of cash on hand an institution has in its Perkins Loan Fund, the Perkins Loan default rate, and the amount of Perkins Loan collections.



While the funding formula is complex, all institutions are assured equal treatment in determining their share of available campus-based program funds. Participating institutions that submit an application receive an official notice of funding. This authorization letter lists the institution's federal allocation for each campus-based program: SEOG, CWS, and Perkins Loan.

The authorization letter includes the annual amount of program funds allocated to an institution. This amount is often referred to as an institution's *authorization*.

These types of assistance represent both gift aid and self-help programs. Most institutions award combinations of grant and self-help aid called financial aid packages. Awarding financial aid packages according to an established policy ensures that limited grant funds are distributed to as many eligible students as possible. An equitable policy may require students to contribute to their educational costs through work and/or borrowing.

Participating institutions have the administrative responsibility for identifying those students who have the greatest financial need; awarding student aid to eligible students according to established policies and procedures; and coordinating all sources of student aid to prevent awarding aid to students in excess of their financial need. In addition, institutions must:

An institution whose campus-based allocation is either directly or indirectly based on the demonstrated need of students attending that institution on a less-than-full-time basis must make a reasonable portion of its campus-based funding available to such students. The institution must establish a policy for awarding campus-based funding to less-than-full-time or less-than-half-time enrolled students.

- ✧ provide information to their students on selection criteria and packaging policies;
- ✧ maintain records to support campus-based awards and expenditures; and
- ✧ complete the FISAP.

12.2 FUND MANAGEMENT

The effective administration of the campus-based programs requires an overall fund management plan. This plan should be developed on an annual basis, and should reflect the unique characteristics of the institution and the financial needs of the students who may enroll.

The primary objective of the fund management plan is to expend all of the available campus-based funds to meet as much of the financial need of as many eligible students as possible. Financial aid administrators develop a fund management plan based upon a number of factors, including the following:

- ✧ projections of the financial needs of eligible students expected to enroll;
- ✧ estimates of aid to be received from the Pell Grant program and other sources; and
- ✧ the institution's financial aid packaging policy.

An effective fund management program allows an institution to make sufficient award commitments to students to ensure that funds will be fully utilized without overcommitting funds. While this might appear simple, the process is actually quite complex, and relies heavily upon the aid administrator's professional judgment and ability to make accurate projections regarding the need for campus-based aid. Developing a fund management plan which fully utilizes each year's institutional allocation is a key factor in effectively meeting institutional and student needs and in demonstrating the institution's administrative capability.

12.2.1 Transfer Provisions

The federal regulations for SEOG and CWS give the institution and the financial aid administrator flexibility in developing a plan to expend the institution's annual allocation for the two programs. While the institution receives a specific annual allocation for SEOG and CWS, special administrative provisions allow the transfer of a percentage of funds between the two programs.

Matching Requirements

CWS: The amount of institutional match for CWS is determined by the type of CWS employment and will change in future years (see Section 12.7.2 for more details of federal matching requirements in the upcoming academic years). Currently, the maximum federal share is:

- On-campus and off-campus CWS jobs at nonprofit organizations: 80% for 1988-89
- Off-campus, private, for-profit sector CWS employment: 60%
- Community Service Learning Program (CSL program): 90%

Perkins Loan: "New Federal Capital Contribution" (FCC) is the term used to describe new federal funds allocated to an institution in a given award year for the Perkins Loan program. New federal Perkins Loan capital is matched with institutional dollars, called an Institutional Capital Contribution (ICC). The ICC must be *at least one-ninth of the FCC amount* (that is, at least one-tenth of the total new amount to be added to the Fund).

SEOG: Beginning with the 1989-90 academic year, the SEOG program will require institutional matching funds. The federal share may not exceed:

- 95% in award year 1989-90
- 90% in award year 1990-91
- 85% in award year 1991-92 and thereafter

However, a school that qualifies under the Strengthening Institutions program (34 CFR Parts 607 and 608) will receive 100% of the SEOG amounts it awards provided it requests such an increased federal share as part of its regular SEOG funding application for the year.

Within the same award year, the institution may:

- ✧ *either* transfer *up to* 10% of the CWS allocation to the SEOG program to be expended as SEOG awards
- ✧ *or* transfer *up to* 10% of the SEOG allocation to the CWS program

These transfer provisions allow the institution flexibility in developing a fund management plan. Special permission for such transfers is not required. The institution reports allowable transfers between the two programs on the annual FISAP. However, if the institution is unable to fully utilize the transferred funds, the unused amount *must* be transferred back to the original program.

Example 1: Using the Transfer Provisions

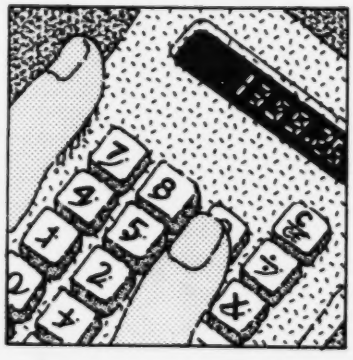
This is an illustration of how an institution can use the transfer provisions of the SEOG and CWS programs to support an overall fund management plan. Institution A receives the following campus-based program allocations:

In this example, we are assuming that the institution takes the maximum administrative cost allowance (ACA) of 5% for the SEOG and CWS programs. (For further details, see Section 12.2.4.)

SEOG Program:	$100,000
CWS Program:	75,000
Perkins Loan Program: (new Federal Capital Contribution)	25,000

The financial aid administrator has carefully considered the needs of eligible students, the number of CWS jobs available, and the institution's packaging policies. The projected fund management plan calls for 100 CWS awards to students averaging $1,000 per student. This plan will require the following funding:

Average CWS Award	$1,000
Projected Number of Students	x 100
Projected Gross CWS Wages	$100,000



The institution was awarded only $75,000 for the CWS program. What amount of federal funds would be needed to support the planned expenditure of $100,000 for CWS wages? The calculation is described in the margin on the next page.

The calculation shows that the institution will need a total of $85,000 in federal funds to support the planned CWS expenditure of $100,000. An additional $10,000 in federal funds is needed to bring the total federal CWS funds to $85,000. Regulations allow the institution to transfer up to 10% of the SEOG allocation to the CWS program. Therefore, the institution can transfer 10% of its SEOG allocation of $100,000, or $10,000. This is exactly what is needed for the CWS program.

CWS Federal Allocation	$75,000
+ 10% Transfer from SEOG	+ 10,000
Total Federal CWS Funds Available	$85,000

$$\text{Gross CWS Wages Available} = \frac{\text{Total Federal CWS Funds Available}}{.85} = \frac{\$85,000}{.85} = \$100,000$$

Funding for the CWS program can be summarized as follows:

5% CWS Administrative Cost Allowance	$5,000
80% Federal Portion of Wages	$80,000
20% Institutional Share of Wages	$20,000
CWS Program: Total Funds Needed	$105,000

The SEOG program will now operate with reduced funding as follows:

SEOG Allocation	$100,000
- Maximum 10% Transfer to CWS	- 10,000
Available SEOG Allocation	$90,000

Suppose the institution wishes to take the full SEOG administrative cost allowance (ACA), which is 5% of awards. The available SEOG allocation must be divided into *SEOG awards to students* and the *ACA*. The calculation is shown in the margin. Funding for the SEOG program can be summarized as follows:

Available SEOG Allocation of $90,000 Divided into:	
SEOG Available for Awards to Students	$85,714
5% Administrative Cost Allowance for SEOG	$4,286

CWS Calculations

Let gross CWS wages available = C.
Federal CWS funds will pay up to an 80% portion of this, and up to 5% ACA.

Total federal CWS funds = .80C + .05C
= .85C

We want gross CWS wages, C, to be $100,000.

Total CWS federal funds needed = .85C
= .85 x 100,000 = $85,000

CWS federal allocation is only $75,000.

Amount to transfer = 85,000 - 75,000
= *$10,000 from SEOG*

5% CWS administrative cost allowance
= .05C = .05 x 100,000 = $5,000

80% federal portion of wages = .80C
= .80 x 100,000 = $80,000

20% institutional share of wages = .20C
= .20 x 100,000 = $20,000

Total funds needed = .05C + .80C + .20C
= 1.05C

SEOG Calculations

Let SEOG awards to students = S.
Then the 5% ACA = .05S.

Total available SEOG allocation =
Total of awards to students + ACA
= S + .05S = 1.05S

1.05S = $90,000

$$S = \frac{\$90,000}{1.05}$$
= $85,714 for SEOG awards

.05S x $85,714
= $4,286 for ACA (SEOG program)

12.2.2 CWS Carry Forward/Carry Back Provisions

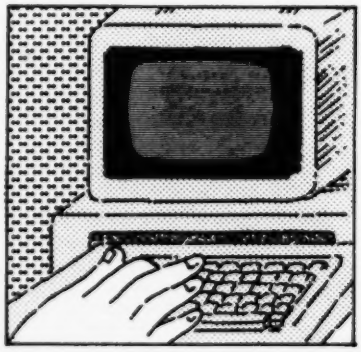
The College Work-Study program regulations include special transfer options. In addition to provisions for the transfer to and from the SEOG program, CWS regulations allow institutions to carry forward up to 10% of the current year allocation to cover CWS program expenditures in the next award year. The carry back provision allows the institution to transfer up to 10% of the next award year's CWS authorization back to the current award year to cover current year CWS program expenditures. These provisions for carry forward/carry back transfer between the fiscal year allocations provide institutions with flexibility in managing CWS program expenditures.

Carry Back Procedures: After the institution has received its final annual campus-based authorization letter (in the spring each year), it may withdraw up to 10% of its next year's CWS allocation from its ED Payment System (ED/PMS) account and add it to its current year CWS allocation. These funds can then be spent during the current award year until it closes on June 30.

Example 2: Carry Forward/Carry Back Provisions

✦ **Carry Forward:** Greater Downtown Business College received a significant increase in its CWS authorization for the 1987-88 award year. Although job development efforts have been increased, the aid administrator projects he will be unable to use all available CWS funds by June 30th, the close of the award year. He anticipates he will have no difficulty in using them during the 1988-89 award year. Therefore, he decides to carry forward 10% of his 1987-88 CWS authorization into the 1988-89 year.

1987-88 CWS Authorization	$150,000
	x .10
Maximum 10% Carry Forward	$15,000
After Carry Forward, Remaining CWS Funds Available for Use in 1987-88	$135,000
1988-89 CWS Authorization	$158,000
Carry Forward from 1987-88	+ 15,000
Total Federal CWS Funds for 1988-89	$173,000



✦ **Carry Back:** Marge Moore at Hometown University realizes that she will need additional CWS funds for the current award year to keep students continuously employed through the close of the Spring semester. She calculates a 10% carry back of CWS funds, transferring them from the upcoming 1988-89 year back to the current 1987-88 award year.

1988-89 CWS Authorization	$275,000
	x .10
Maximum 10% Carry Back	$27,500
After Carry Back, Remaining CWS Funds Available for Use in 1988-89	$247,500
1987-88 CWS Authorization	$245,000
Carry Back from 1988-89	+ 27,500
Total Federal CWS Funds for 1987-88	$272,500

12.2.3 Perkins Loan Fund Management

The annual federal allocation for the Perkins Loan program is called the Federal Capital Contribution (FCC). The institution must provide matching funds equal to at least one-ninth of the amount of the new FCC. Fund management for the Perkins Loan program is more complex than for the other campus-based programs because the funds available for Perkins Loan awards come from several sources.

The Perkins Loan Fund is a "revolving fund." In addition to annual Federal Capital Contributions and the required institutional matching funds, the institution's Perkins Loan Fund contains repayments of interest and principal from student borrowers. The institution must project the amount of repayments to be received during the award year to accurately determine the total of Perkins Loan funds available for awards. Institutions may also receive reimbursements from the federal government for teacher and military loan cancellations. For National *Direct* Student Loans, these funds are deposited into the institution's Perkins Loan Fund. Funds received for military and teacher cancellations on National *Defense* Student Loans (loans made before July 1, 1972) are institutional funds that do not have to be deposited in the Fund.

An institution's Perkins Loan Fund is a *revolving fund* because new loans for current and future students are partly financed from loan repayments made by previous borrowers.

Perkins Loan funds must be invested in insured or collateralized interest-bearing bank accounts, or in low-risk income-producing securities such as obligations issued or guaranteed by the U.S. Government. The institution must exercise the level of care required of a fiduciary in making these investments. Any costs incurred in depositing these funds into interest-bearing accounts may be charged against the Fund.

Example 3: Projecting Funds Available for the Perkins Loan Program

Perkins Federal Capital Contribution (FCC)	$252,000
Institutional Capital Contribution (ICC) = 1/9 x $252,000 =	28,000
Projected Repayments	120,000
Cash on Hand	19,200
Reimbursement from ED for Teacher/Military Cancellations	0
Collection Costs	- 2,480
Total Perkins Loan Funds Available for This Year's Program	$416,720

Cash on Hand includes unexpended funds from the previous year, such as repayments received but not yet reawarded.

Collection Costs: $9,000 of the projected $120,000 in collections are collections from defaulted loans and therefore subject to collection costs. A percentage of collection costs can be charged to the institution's Perkins Loan Fund--see 34 CFR 674.47 (a) and (b).

Now we need to calculate the allowable amount of administrative expense that can be charged to the Perkins Loan Fund and the amount available for loans to students. Suppose the institution wishes to take the full administrative cost allowance (ACA), which is 5% of loan awards. The available funds must be divided into *Perkins Loans to students* and the *ACA*. The calculation is shown in the margin.

Perkins Calculations

Let this award year's
total Perkins Loans to students = L.
Then the 5% ACA = .05L.

Total available Perkins funds this year
= Total of this year's awards + ACA
= L + .05L = 1.05L

1.05L = $416,720

$L = \frac{\$416,720}{1.05}$
= $396,876 for loans to students

.05L x $396,876
= $19,844 for ACA (Perkins)

Funding for the Perkins Loan program can be summarized as follows:

Total Available Perkins Loan Funds	$416,720
• Amount Available for Loans to Students	$396,876
• 5% Perkins Administrative Cost Allowance	$19,844

12.2.4 Administrative Cost Allowance (ACA)

As shown in the calculations above, institutions participating in the campus-based programs are entitled to an administrative cost allowance to help defray the expense of administering these programs. The allowance is based on the total expenditures for the three campus-based programs.*

The administrative cost allowance for the campus-based programs is calculated by *adding* the following:

- ✧ 5% of the institution's expenditures in an award year from the SEOG, CWS, and Perkins Loan programs up to a total of $2,750,000
- ✧ 4% of the institution's expenditures in an award year in excess of $2,750,000 but less than $5,500,000
- ✧ 3% of the institution's expenditures in an award year in excess of $5,500,000

To receive an administrative cost allowance in a given award year, the institution must have made expenditures from a program's funds during that award year. The administrative cost allowance is based upon expenditures (awards) made or wages paid to students during the award year. The administrative cost allowance is deducted by the school from annual campus-based authorizations for the SEOG and CWS programs and from the Perkins Loan Fund. Unlike the Pell ACA, the campus-based ACA is *not* an amount sent separately to the school.

*Exception: Institutions administering a Community Service Learning (CSL) program as part of their CWS program are entitled to take a separate administrative cost allowance equal to 10% of CWS wages paid to students employed under the CSL program.

The institution may take the administrative cost allowance from each program fund separately, or the combined amount may be taken from a single program. To take the total allowance from a single program, the institution must have expended funds for awards from that program during the award year, and there must be sufficient funds available.

The institution must use the administrative cost allowance to help pay for the costs of administering the Pell Grant and campus-based programs. These costs include general expenses associated with compliance with program regulations and expenses incurred in carrying out the requirements for providing student consumer information services.

12.3 ADMINISTRATIVE COORDINATION

The regulations for the campus-based programs require that the institution appoint an official, usually the financial aid administrator, to be responsible for coordinating the campus-based awards with all other sources of aid. This includes all Title IV and non-Title IV federal aid and state, institutional, and private sources of assistance (state and institutional grants and scholarships, outside scholarships, and institutional employment). The responsibility for coordination applies to need-based and non-need-based funds provided and to those funds administered by other institutional offices and academic departments.

For a discussion of award packaging, refer to Module 9.

For a more detailed discussion of financial need, see Module 8, Need Analysis.

Students receive notification of campus-based financial aid awards in an award letter. This letter provides a summary of total aid being offered to the student; it may also explain how the student's eligibility was calculated. Many institutions give the student information on the cost of education, expected family contribution, financial need, aid available from other sources, and other factors which were used to determine the student's eligibility for campus-based funds. Providing this information to the student is not required by regulation, but many institutions consider it to be a good practice.

The award letter includes provisions for the student to *accept* or *decline* awards being offered by the institution. It must also include the *terms and conditions* of awards, such as the required enrollment level and satisfactory

academic progress standards. In addition, the award letter must include an explanation of how and when awards will be disbursed to the student.

The award letter may also provide additional information on terms and conditions governing CWS and Perkins Loan awards. Students awarded CWS may need to know how CWS jobs are selected or assigned by the institution. Perkins Loan recipients will need information about the completion of their promissory notes and other required forms.

In general, award letters should include enough information to allow students to understand:

For a sample award letter, see Module 16, Forms and Publications.

- ✧ the amounts and types of aid being offered;
- ✧ the requirements of the awards being offered by the institution;
- ✧ their responsibilities in accepting awards (i.e. to return the signed acceptance by the established deadline, to take the necessary steps to secure CWS job placement, or to complete required Perkins Loan forms); and
- ✧ what they must do to maintain eligibility for the awards.

It is also considered to be a good practice to include information on the institution's appeal procedures for students not satisfied with their aid packages.

THE SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

The institution may spend its annual SEOG allocation to provide:

- ✧ SEOG grants to eligible students;
- ✧ additional student employment dollars through a transfer of a limited portion of the SEOG allocation to the CWS program; and
- ✧ an allowance to defray the administrative costs of programs.

12.4 STUDENT ELIGIBILITY

To be eligible for an SEOG, students must show *exceptional financial need* and meet the other general eligibility requirements for the Title IV programs. For purposes of the SEOG program, exceptionally needy students are those who have the lowest expected family contribution (EFC) and have received a Pell Grant in the current award year.

For SEOG purposes, *exceptional need* means having the lowest expected family contribution (EFC) and receipt of a Pell Grant award. For institutions which admit students on an ongoing basis throughout the year and do not have firm deadlines for financial aid, lowest EFC may mean the lowest EFC for groups of applicants whose aid is being packaged at the same time.

In addition, the SEOG program is restricted to undergraduate students. Students are eligible to receive aid from the SEOG program for the period of time needed to complete the first baccalaureate degree as long as they continue to make satisfactory academic progress. *Students who have attained a bachelor's degree or its equivalent may not receive aid from the SEOG program.*

Many institutional packaging policies give preference in awarding SEOG funds to students who are enrolled on at least a half-time basis. Institutions must, however, make SEOG funds reasonably available to *all less-than-full-time students* who show financial need and meet other eligibility criteria if the institution's annual SEOG allocation was based in part on the need of those students. A school has the option of awarding SEOG funds to *less-than-half-time students*.

A student may receive an SEOG award for a special session, such as summer school, if the student is taking

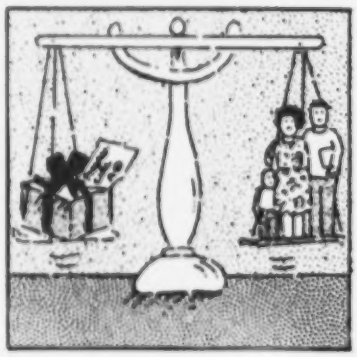
Reminders:

- A student pursuing a first baccalaureate degree may not receive SEOG or other Title IV funds indefinitely. Your institution's standards of satisfactory progress must specify a maximum time frame for full- and part-time students to complete their degree programs.
- An increasing number of students with bachelor's degrees are enrolling in new programs of study which are undergraduate level programs. Such students do not satisfy the SEOG "undergraduate" requirement because this refers to the student's previous academic achievements, not the student's current program of study.

courses required to complete his or her program of study at the institution and the student meets all other eligibility requirements.

12.5 SEOG AWARDS--AMOUNT AND PAYMENT PROCEDURES

Awards from the SEOG program can range from a minimum of $100 to a maximum of $4,000 in an academic year. The institution is responsible for determining award amounts for individual students. If an institution has enough SEOG funds available to meet the full financial need of all eligible students, after the family contribution and other financial aid resources are taken into consideration, the SEOG award can be the amount needed by each student up to annual award maximums. If this is not the case, the institution's packaging policies must ensure that the SEOG funds available are distributed in a consistent and equitable manner with priority given to students with exceptional financial need who have received Pell Grants. The pool of SEOG funds can be increased by a transfer of up to 10% of the CWS allocation.



SEOG awards made to students attending for a portion of the academic year may be proportionately reduced. For example, a minimum $100 SEOG award may be reduced for a period of instruction, such as summer school, that is less than the normal payment period.

The institution may disburse an award to a student directly by check, or by crediting the student's account. An institution may not disburse an SEOG to a student unless he or she officially registers for the payment period. The earliest an institution may directly pay SEOG funds to a registered student is *10 days before the first day of classes of a particular payment period*. The earliest an institution may advance SEOG funds to an enrolled student by crediting his or her account is *three weeks before the first day of classes of a payment period*. The institution must return to the SEOG account any monies awarded to a student if he or she officially or unofficially withdraws or is expelled from the school.

Generally, the SEOG awarded for an academic year is disbursed in at least two payments. In a term-based institution the payment periods will generally correspond to the institution's academic terms (semesters, trimesters,

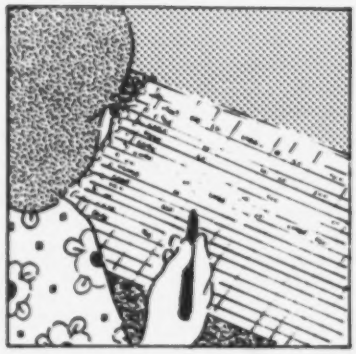
or quarters). The amount of each award payment will be calculated by dividing the total SEOG award by the number of terms in the academic year (see the example in the margin). Usually, SEOG payments are equally divided among payment periods. However, if the student has uneven costs or resources in different payment periods, the SEOG payments may be made in unequal amounts. If the total amount of campus-based funds awarded to the student is less than $501, the institution may disburse the SEOG award in one payment.

$1,200 = Total SEOG awarded for academic year

2 semesters = academic year

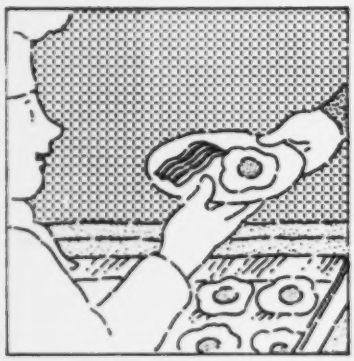
So $\frac{\$1,200}{2}$ = $600 to be awarded each semester

At institutions using clock or credit hours without standard terms, the first payment is usually made at the beginning of the student's award period. The second payment may not be made until the student has reached the mid-point of that period and has completed the hours for which payment has already been received. The total SEOG award would be divided in half. The institution may elect to have more than the mandatory minimum of two disbursements for two payment periods. In this case, the total SEOG award would be divided by the number of payment periods in the institution's academic year.



The annual CWS allocation can be used for:

- ✧ CWS awards to eligible students;
- ✧ the federal portion of a Job Location and Development program;
- ✧ Community Service Learning program expenditures;
- ✧ the federal portion of CWS employment in the private, for-profit sector;
- ✧ CWS wages for the *prior* or *next* award year;
- ✧ additional SEOG awards, by transferring a portion of the CWS allocation to the SEOG program; and
- ✧ an administrative cost allowance.



12.6 STUDENT ELIGIBILITY

Student eligibility for participation in the federal College Work-Study program is based on the same general student eligibility requirements discussed in detail in Module 6. In contrast to the SEOG program, the work-study program provides part-time jobs to *both undergraduate and graduate* students. As with the SEOG program, the institution must develop a policy to award a reasonable amount of its CWS authorization to students enrolled *less than full-time*, if its annual allocation of funds was based in part upon the financial need of such students. The institution has the option of awarding CWS funds to *less-than-half-time students*.

Refer to Module 6 for information on General Student Eligibility.

12.7 THE USES, SOURCES, AND DISTRIBUTION OF FUNDS UNDER THE CWS PROGRAM

The list at the top of the page shows the various ways an institution may use its annual CWS allocation. We have already discussed the fund transfers between the CWS

and SEOG programs, the CWS carry forward/carry back provisions, and the institution's authority to take an administrative cost allowance. The primary use of CWS funds is to pay students for on- and off-campus employment, as well as to pay the federal portion of a Job Location and Development program and expenditures for the Community Service Learning program.

12.7.1 The Community Service Learning (CSL) Program and Job Location and Development (JLD) Programs

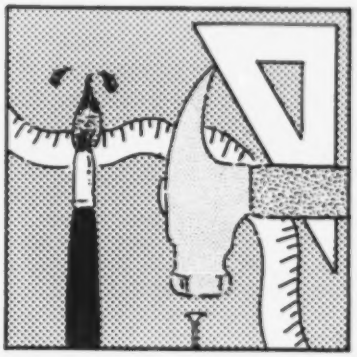
Community Service Learning (CSL) Program

An institution may use *up to 10% of its CWS funds* to employ students in a Community Service Learning (CSL) program. These programs develop, improve, and expand community services (such as educational services, health care services, housing, and neighborhood improvement projects) for *low-income* individuals and families to improve the quality of their lives. Students awarded employment under the CSL program must show financial need and meet all other Title IV eligibility criteria. To the extent possible, CSL job placements should be relevant to a student's educational or vocational goals.

A separate 10% administrative cost allowance is available to institutions that establish and operate a CSL program. This allowance is based on the amount of CWS wages paid to students employed under the CSL program.

Job Location and Development (JLD) Program

Regulations for the JLD program authorize an institution to use *up to 10% of its annual CWS allocation or $30,000, whichever is less*, to expand off-campus job opportunities for its currently enrolled students. Jobs developed under this program may be in profit-making or nonprofit settings, and should, whenever possible, be relevant to a student's educational or vocational goals. Students in JLD jobs are not required to show financial need or to meet other Title IV student eligibility criteria.



An institution participating in the CWS program must sign an agreement with the Secretary to establish or expand the JLD program. The agreement will include the following provisions:

- the federal share of the program's cost will not exceed 80%;

- ✧ the institution will submit an annual report to ED on the use of the funds and an evaluation of the program's effectiveness in benefiting the institution's student population;

- ✧ program funds will not be used to locate or develop jobs at the institution;

- ✧ the institution will not use program funds to place graduating students in jobs; and

- ✧ the program will not displace employees or impair existing contracts.

An institution's JLD program may *not* be used to:

- locate or develop jobs at the institution
- place graduating students in jobs
- displace current employees or impair the institution's existing service contracts

The institution is required to report its annual expenditure of JLD funds on the fiscal operations report section of the FISAP.

Community Service Learning Job Location and Development (CSLJLD) Program

An institution may use *up to 10% of its annual CWS allocation or $20,000, whichever is less,* to develop community service jobs in fields such as health care, child care, literacy, and neighborhood improvement, which address the needs of *low-income* community residents. As in the regular JLD, the federal share of program costs is limited to 80%. However, in contrast to the regular JLD, students employed in the program *must meet all of the CWS student eligibility criteria.*

See Chapter 7 of the *Federal Student Financial Aid Handbook* for further information on the CSL, JLD, and CSLJLD programs.

12.7.2 Sources and Distribution of CWS Funds

As part of our earlier fund management discussion in this module, we noted that federal funds make up only part of the total pool of funds available for CWS wages to students. The College Work-Study program requires a *match* of institutional dollars or services and equipment. For off-campus CWS employment in the public, private nonprofit, or private for-profit sectors, the matching funds are provided by the organization employing the student. In addition to the institution's annual CWS allocation, the pool of available federal funds may be increased through a 10% transfer of SEOG funds to be used in the CWS program.

CWS Matching Requirements

On-campus, or off-campus in the public or private nonprofit sectors--The federal share may not exceed:
- 80% for 1988-89
- 75% for 1989-90
- 70% for 1990-91 and subsequent award years

Off-campus private for-profit sector--The federal share may not exceed:
- 60% for 1988-89
- 55% for 1989-90
- 50% for 1990-91 and subsequent award years

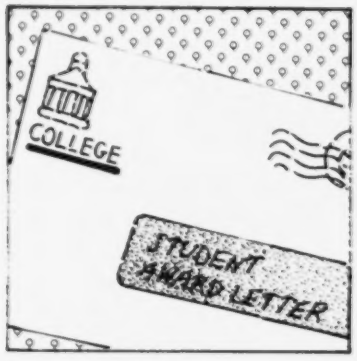
The maximum federal share of CWS wages is dependent on the type of CWS employer and is subject to change in upcoming award years. The current maximum federal

share of CWS wages is 80% for on-campus employment and off-campus employment in a public or private non-profit agency, so that 20% is the minimum institutional match. In the private for-profit sector, the current maximum federal share may not exceed 60% (90% of the funds used for the CSL program). When students are placed in off-campus locations, the off-campus employer is required to provide the matching funds. The federal share of CWS wages may *not* be used for fringe benefits such as:

- ✧ paid sick leave, vacation pay, and holiday pay; or
- ✧ the employer's contribution to Social Security (FICA), Workman's Compensation, insurance plans, or employee retirement programs.

Institutions or employing organizations may choose to contribute more than the minimum matching funds. This increased contribution may be in the form of institutional or agency dollars or institutional services and equipment. This effectively stretches federal CWS dollars and allows a greater number of students to be employed under the program. If the institution is unable to provide a greater match for on-campus employment, it may require an increased match from any off-campus agency where it places CWS students.

An institution providing its 20% match in non-cash forms (that is, services and equipment in the form of tuition and fees, room and board, or books and supplies) must carefully document the cash equivalent of this non-cash contribution. For example, if a tuition waiver is given as a non-cash contribution, the amount of the tuition waiver should be documented in the student's billing record and elsewhere in the institution's records. If the amount of the tuition waiver exceeds the required 20% match for a particular payroll period, the remaining balance (the institutional share) can be evenly divided among the student's CWS payroll checks for later payroll periods in that award period.



12.8 CWS JOB PLACEMENT

In addition to providing funds to students with financial need, another major goal of the College Work-Study program is to provide meaningful job experiences in areas as closely related as possible to student educational

programs or career goals. Job placement under the CWS program may take place on- or off- campus with some restrictions:

- CWS workers may not displace regular workers by taking jobs usually filled by full-time employees.
- *Proprietary institutions may only place students in jobs on campus that are directly related to student services.** CWS jobs may not involve recruiting potential students for enrollment at the school.
- CWS jobs may not involve political or religious activity, or serve organizations which limit eligibility for membership.

Political activity includes working for a candidate for public office or an elected official, working on a political campaign, or lobbying on the federal, state, or local level. Religious activity includes anything that involves the construction, operation, or maintenance of a building used for religious worship or instruction.

Institutions that develop off-campus job sites for their students are responsible for verifying that off-campus agencies do not violate these restrictions.

Eligible CWS Employers:

- the institution in which the student is enrolled
- a federal, state, or local public agency
- a private, nonprofit organization
- a private for-profit organization

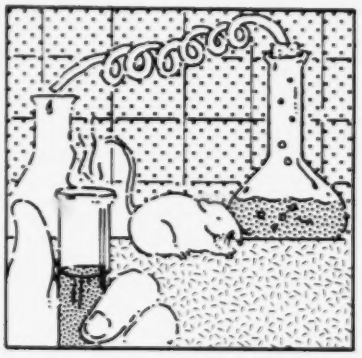
*Student CWS employment positions must be directly related to student services, such as:

- Academic services office
- Library
- Financial aid office
- Guidance or counseling office
- Health services office
- Social services office

12.9 CWS EMPLOYMENT CONDITIONS AND OTHER REQUIREMENTS

Regulations governing the CWS program require that students employed under the program enjoy reasonable working conditions in terms of:

- the type of work they perform;
- the location of their jobs; and
- their individual qualifications and skill levels.



Federal, state, and local employment laws apply to College Work-Study employees. They must be paid at least the current federal minimum wage rate. Employers pay the employer's share of Social Security taxes and worker's compensation as they would for non-CWS employees.

The CWS program provides students with *part-time employment during periods of enrollment*. The number of part-time hours a student may work, although not defined or restricted by regulation, is generally based on such factors as:

- ✧ the student's academic grade level, program, courseload, and performance;
- ✧ the student's financial need and the institution's CWS award packaging policy, both of which dictate the student's maximum earnings;
- ✧ the student's or job's established wage rate; and
- ✧ the length of the student's period of employment.

The pursuit of an educational goal must be the student's first priority. Therefore, some institutions restrict first-year students' work hours. Others may set a standard number of hours (for example, 15-20 hours per week) and expect all students who show sufficient financial need to work that number of hours. Probationary students may have strict limitations placed on their work hours or may not be allowed to work at all.

During non-enrollment (vacation) periods, students may work full-time in the work-study program. *Students working full-time during vacation periods are expected to contribute a portion of their earnings toward the cost of attendance for the next enrollment period.* Taxes and job-related expenses may be subtracted from the gross earnings in determining the contribution. For CWS employment during non-enrollment periods, job-related expenses include the cost of any required uniforms, transportation, and reasonable room and board costs for a dependent student not living at home.

12.10 SELECTION AND PLACEMENT PROCEDURES

An institution must make employment under the CWS program reasonably available to all eligible students and establish selection procedures which are:

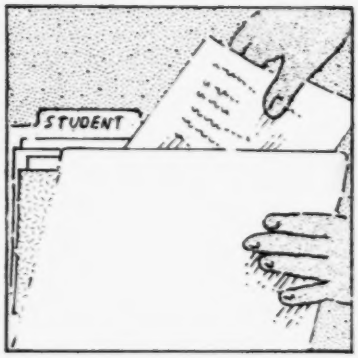
- ✧ uniformly applied;
- ✧ in writing; and

- maintained in the institution's files.

Financial aid award letters notify students of their eligibility to work under the College Work-Study program. Generally these notifications provide the following information about the CWS program:

- the maximum earnings the student may receive under the program;
- the applicable wage rate or wage scale the institution uses for CWS employment;
- other conditions related to participation in the program, such as the institution's policy on required enrollment status, satisfactory academic progress, and verification of employment eligibility; and
- instructions for accepting the award and arranging job placement.

As a result of the recent Immigration and Control Act, students interested in working under the CWS program must also verify their eligibility to work by documenting their identity and authorization to work. To accomplish this, a student must complete the *Employment Eligibility Verification* form (Form I-9) and present supporting documents for review. Form I-9 must be completed at the time the student is hired. Review of the student's supporting documentation must take place within three days of the hire. The office that is given responsibility for collecting I-9 forms and reviewing supporting documents will probably depend upon the organization of your student job placement services.



The institution may choose to have job placement activities handled by the financial aid office or by a separate student employment office. Whichever office handles this function, certain preliminary organizational activities precede student placement. They include:

- a survey of institutional and off-campus agency requirements for student employment;
- preparation of job descriptions; and
- preparation of an off-campus agency agreement with eligible agencies or private sector employers.

On-campus departments and off-campus agencies should be periodically surveyed to determine their need for

College Work-Study employees. These needs may change in terms of numbers of students needed and types of positions available. A periodic re-evaluation may result in the development of new types of job opportunities. This survey may be done by telephone or by memo to CWS employers. Regardless of the survey method, *job description* forms are generally forwarded to CWS employers for completion. They must contain information on:

- ✧ name and address of employer
- ✧ job title and purpose
- ✧ duties and responsibilities
- ✧ required or preferred job qualifications
- ✧ wage rate or range
- ✧ number of students desired for a particular position
- ✧ average number of hours of work per week desired for each type of position
- ✧ period of employment
- ✧ supervisor's name and telephone number

When these completed job descriptions are returned to the aid office or student employment office, the aid administrator will determine whether each position qualifies as a CWS job. The job description acts as a written record of the job duties and responsibilities for the employer and student. It assists students in determining whether they qualify for (or are interested in) the position. A sample job request/description form is included in Appendix A.

Many students request a copy of their CWS *job descriptions* as they prepare resumes for future employment opportunities. Students should be advised that it is in their interest to keep a record of the various job-related skills developed in CWS employment positions for future use in resumes.

12.10.1 Completion of Off-Campus Agency Agreements

Before CWS student referrals can be made to an off-campus agency or private sector employer and placements completed, the institution must sign an off-campus agreement with the organization. An agreement can be signed by a public agency, private nonprofit organization, or private sector employer the institution has determined to be eligible to participate in the CWS program.

In addition, the institution must determine that an agency or organization will be a reliable employer. By *reliable* we mean that the organization:

- ✧ has a professional staff that will supervise student workers properly;

- ✧ has the administrative capability to document work hours and pay students promptly (if they process CWS payroll for their CWS students); and

- ✧ will provide student workers with acceptable working conditions in jobs that are relevant to their educational or vocational goals.

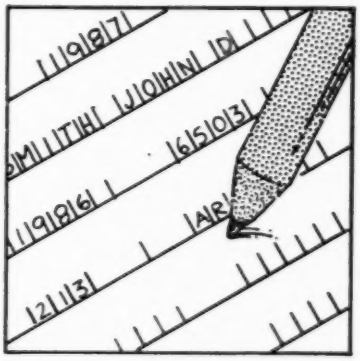
The agency agreement should also specify:

- ✧ who will process the College Work-Study payroll for these off-campus workers; and

- ✧ whether the institution or the agency is the "employer" for purposes of the employer's share of Social Security tax payments and workmen's compensation.

12.10.2 Student Referrals to Prospective Employers

A collection of job descriptions posted on notice boards, entered in a job bank data base, or put into a job book are some of the methods used to assist students in finding a CWS placement. Whether the institution assigns students to CWS positions or allows students to select their jobs, it must, to the maximum extent practical, attempt to place students in jobs that complement and reinforce their job skills, educational programs, and career objectives. After selecting or being assigned a position, a student is referred to the prospective employer. The employer will need:



- ✧ a copy of the job description, unless one is routinely retained by the employer when it is completed;

- ✧ information on the number of hours per week and length of employment approved for the particular student, which depends upon the student's financial need and anticipated period of enrollment;

- ✧ the student's academic schedule, if it has been established; and

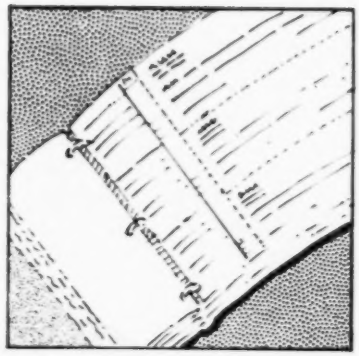
- ✧ a hiring form, memorandum, or placement contract, preferably in multiple copies, that allows the employer to indicate whether the student has actually been hired.

12.11 PAYING THE STUDENT AND MONITORING EXPENDITURES

Once the student has confirmed a placement with an employer and has begun working, the next step in the process is paying the student. Unlike the SEOG and Perkins Loan programs, CWS awards are not lump sums of aid that are credited to a student's account. Instead, students receive payroll checks based on hours worked on the job.

12.11.1 Establishing Wage Rates

CWS students must be paid at least the current federal minimum wage rate. Undergraduates must be paid on an hourly wage rate basis; graduate students may be paid either an hourly wage or a flat salary.



Institutions and agencies have several options in establishing wage rates. They may:

- ✧ pay the federal minimum wage to all CWS students;
- ✧ pay a higher than minimum wage rate to all CWS students;
- ✧ pay different hourly wage rates for different types of jobs, depending upon the skill level required and rates paid to non-CWS employees doing the same or comparable work; or
- ✧ develop a range of wage rates for each type of position. For example:
  - Lab Technician $4.25-6.25
  - Food Service Worker $3.35-5.25

This last option is based on the principle that:

- ✧ higher rates within the range may be paid based on academic level or length of service in the same job; and
- ✧ a system of periodic evaluation may reward superior job performance with an increased wage rate.

Of course, the wage rate system you develop must take into consideration your total available CWS funds, the

number and variety of available CWS positions, and the normal salary rate for a given position.

12.11.2 Processing Payroll Checks

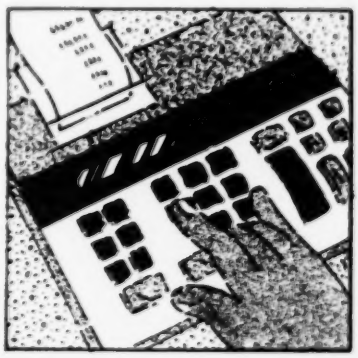
College Work-Study students must be paid at least once a month by check or similar document (such as a bank draft, electronic funds transfer to student account, etc.).

The federal share of each payment must be paid to the student by check or similar instrument that the student can cash on his or her own endorsement.

For students employed on campus, the institution is the employer and processes the payroll. The institution is also responsible for paying the employer's share of Social Security and/or workmen's compensation and is required to withhold applicable local, state, and federal taxes from CWS employees' wages.

For students employed off campus, the institution and the employer decide who will process the payroll and who will be responsible for the employer's shared costs before they sign the off-campus agreement. Depending upon such variables as the number of students employed off campus and your payroll system's level of automation, you may use one of the following payroll processing options:

✦ **Option A:** The institution processes the payroll and bills the off-campus agency:



Step 1. By established payroll deadlines, the agency submits CWS time sheets/cards for review by the aid office or student employment office.

Step 2. Time sheets/cards or payroll data input sheets are then forwarded to the payroll or business office.

Step 3. CWS payroll data are incorporated into the institution's payroll system and checks are prepared. The institution provides non-federal matching funds and pays other employer expenses.

Step 4. CWS payroll checks are mailed or distributed to students.

Step 5. Off-campus agencies are billed for the appropriate institutional match and other employer costs depending upon the nature (nonprofit or for-profit) of the organization.

✦ **Option B:** The agency processes the payroll and requests reimbursement from the institution:

Step 1. The agency processes the CWS time sheets/cards, paying 100% of gross wages plus other employer expenses. The payroll is processed according to the agency's payroll schedule, but at least monthly.

Step 2. The agency mails or distributes CWS checks to students.

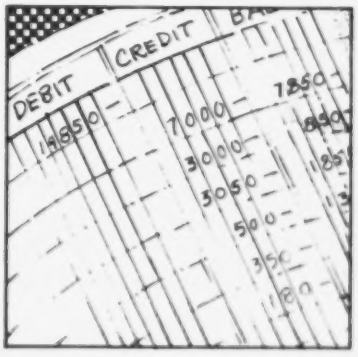
Step 3. The agency prepares a reimbursement request for the appropriate maximum federal share (or agreed-upon lesser percentage) of gross wages and forwards it to the institution along with:
- the original CWS time sheets/cards
- photocopies of the *cancelled* payroll checks for those payroll periods

CWS payroll checks (or other payment documents) are based on records of hours worked during the payroll period. These records are submitted for payment by employers (supervisors) according to an established institutional or agency payroll schedule. These CWS record forms may be time sheets, time cards, or other data input sheets. A sample of a CWS timesheet is included in Appendix A. These and all supporting payroll records must be maintained for 5 years after the institution submits its annual Fiscal Operations Report (FISAP).

Time records for students paid on an hourly basis must show the hours each student worked in *clock time sequence*, or the *total hours worked per day.*

12.11.3 Monitoring CWS Expenditures

Earlier in this module in Example 1 (page 4), it was projected that 100 CWS students could be placed in jobs with an average award, or maximum earnings, of $1,000 each. This number of student placements was projected to utilize the institution's full CWS allocation for the award year.



These may be accurate projections as long as students remain working and consistently work their scheduled hours. However, this does not always happen. Students with limited financial need and smaller-than-average awards may need to stop working prior to the end of the award period to prevent an overaward situation. Even students with award amounts that would allow them to work for the entire award period will incur overawards if they consistently work more than their scheduled hours. As a result, the aid administrator must continually

monitor students' *need-based* employment and actual earnings against their awards or maximum projected earnings.

For the same reason, total CWS earnings of all students are continually compared with earlier projections. This permits the institution to use its full CWS allocation and to assist as many eligible students as possible. If several students consistently work fewer than their scheduled work hours or leave their jobs, this may allow you to place additional students in the program.

Those institutions with automated payroll systems generally receive individual and cumulative CWS earnings reports on a regular basis. This greatly assists in monitoring declining balances for individual student awards and total CWS funds. Some computer software packages currently available will calculate wages, produce payroll checks, and calculate declining fund balances. Institutions with small CWS allocations and a limited number of participating students will probably monitor their CWS expenditures and fund balance manually. Sample forms used to monitor expenditures and program fund balances are included in Module 16, Forms and Publications.

Monitoring Non-Need-Based Earnings

If a student is employed under the CWS or other need-based program, the institution must monitor earnings to determine when the amount of the need-based award has been earned. At that point, the institution must determine whether the following conditions exist:

- the student is employed under the CWS program;
- the amount of the CWS award has been earned;
- the student's financial need has been met; and
- the institution wishes to continue to employ the student under the CWS program.

If all of these conditions apply, the institution must begin to monitor *both need-based earnings, including CWS, **and any non-need-based earnings*** until the total amount of these earnings exceeds the student's need by $200. When this $200 "excess earnings" amount (both need-based and non-need-based) has been reached, the student may no longer continue to be employed under CWS. Any non-need-based earnings will be considered as part of the base-year income for the following award year.

THE PERKINS LOAN PROGRAM

Unlike CWS and SEOG funds, Perkins Loan funds may not be transferred and spent in another program. The institution may use its annual Perkins Loan allocation to provide:

- Perkins Loans to eligible students; and
- an allowance to defray the administrative costs of programs.

12.12 STUDENT ELIGIBILITY

The Perkins Loan program (formerly the National Direct Student Loan, or NDSL, program) provides low interest loans to students who show exceptional financial need based on the institution's determination of exceptional need. As with the College Work-Study program, the other self-help form of campus-based assistance, the Perkins Loan program assists *both undergraduate and graduate* students. As with both the SEOG and CWS programs, Perkins Loan funds must be made reasonably available to *less-than-full-time students*, and the institution has the option of awarding Perkins Loans to *less-than-half-time* students. The Perkins Loan program shares all the other general student eligibility criteria discussed in Module 6.

12.13 LOAN AMOUNTS AND APPLICABLE INTEREST RATES

Perkins Loan regulations do not specify *annual* minimum and maximum award amounts a student may receive. They do, however, provide maximum *cumulative*, or aggregate, amounts that a student may receive based on academic level:

- Students who are in a vocational program, or who have completed less than 2 academic years of study toward a bachelor's degree, may receive up to $4,500 in Perkins Loan funds.

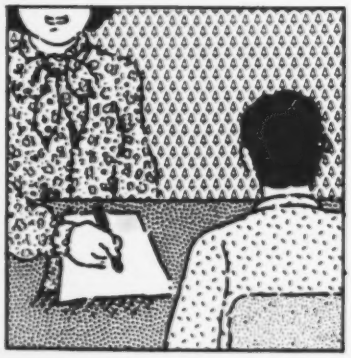
- Students who have completed 2 years of study toward a bachelor's degree may receive up to $9,000 in Perkins Loan funds (including funds borrowed during the first 2 years), until the degree is obtained.

- Graduate or professional students may borrow up to $18,000 in Perkins Loan funds (including undergraduate borrowing).

The current interest rate on Perkins Loans is 5%. This is simple interest and does not accrue while the student is enrolled at least half-time, during the grace period, or during approved deferment periods. The student is not required to make payments on either interest or principal during these periods.

12.14 COMPLETING A PERKINS LOAN AWARD--THE ENTRANCE INTERVIEW

Students are informed of their eligibility for a Perkins Loan award through an award letter. This generally includes the award amount, conditions governing the award, and steps the student must take to receive the award. Since a Perkins Loan is a loan that the student is legally obligated to repay, issuing the loan requires thorough student counseling and completion of required documents. Most institutions schedule pre-loan counseling sessions, or *entrance interviews*, with their students who have not previously borrowed loans at that institution. During the entrance interviews, student borrowers:



- read and sign a *Perkins Loan Statement of Borrower's Rights and Responsibilities;*

- complete an *Initial Interview Questionnaire* containing background information on the borrower that will allow the institution to trace the borrower, should that become necessary; and

- sign a *Perkins Loan Promissory Note* for the amount of funds that will be advanced during the payment period.

In counseling the student, the aid administrator must:

- emphasize that this is a loan that must be repaid;

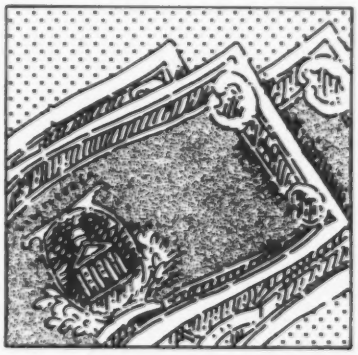
- ✧ make sure the student understands who holds the loan, especially if the student also has a Stafford or SLS loan;
- ✧ inform the borrower that the loan must be used for educational expenses only;
- ✧ review the cumulative loan amounts a student may borrow under the program;
- ✧ review repayment terms, including the applicable interest rate, minimum monthly payment rates, the institution's billing methods, deferment and cancellation provisions, prepayment, and the maximum number of years to repay; and
- ✧ define default and explain its consequences for the borrower.

The aid administrator should also advise the student:

- ✧ to keep all materials concerning his or her loan(s) in one place, for easy reference;
- ✧ to notify the institution of any changes in the student's name, local or permanent address, and telephone number;
- ✧ to be prompt in the repayment of the loan, thus establishing that the student is creditworthy for future borrowing.

Institutions which assist their student borrowers by providing comprehensive loan repayment management plans will facilitate a lower student loan default rate and assist students in being financially responsible.

12.15 DISBURSING PERKINS LOAN FUNDS



The disbursement procedures for Perkins Loan awards are similar to those for SEOG disbursements. An institution may advance the Perkins Loan funds within each payment period at such times and in such amounts as it determines best meets the student's financial need. A Perkins Loan is generally disbursed in at least two payments unless the total amount of campus-based funds awarded to the student is less than $501.

A loan awarded for a full academic year must be disbursed in equal portions during the academic year. At institutions using standard academic terms, the payment amount is calculated by dividing the total award by the number of payment periods. Institutions not using standard terms must make at least two payments during the academic year, one at the beginning and one at the midpoint, after the student has completed the hours for which payment has been received. If the award is for less than an academic year, the total amount is divided by the number of payment periods the student will attend.

Perkins Loan amount paid each payment period (semester, trimester, quarter, etc.) = total Perkins Loan awarded for an academic year *divided by* the number of payment periods that the institution expects the student will attend in that year.

Example 1: School A anticipates that a student will be in attendance for a full academic year (3 quarters).

$1,200 = Total Perkins award for academic year

3 Quarters = Number of payment periods in the academic year

$\frac{\$1,200}{3}$ = $400 awarded each quarter

As in the SEOG program, if the student incurs varying educational costs and needs additional funds during a particular payment period of the academic year, the institution may advance Perkins Loan funds to the student to meet those uneven costs.

Loans may be disbursed directly to the borrower by check or credited to a student's account. An institution may advance loan proceeds directly to an enrolled student *no more than 10 days before the first day of classes of a payment period*; and an institution may advance Perkins Loan funds by crediting an enrolled student's account *no more than 3 weeks before the first day of classes of a payment period*. The institution must return to the Perkins Loan fund any amount advanced to the student who, before the first day of classes officially or unofficially withdraws or is expelled.

Example 2: School B anticipates that a student will be in attendance for a full academic year (2 semesters).

$\frac{\$1,200}{2}$ = $600 awarded each semester

A student who does not begin attending classes is considered to have withdrawn.

The institution must inform the student of the amounts to be disbursed and the method of disbursement. Cancelled checks or vouchers must be kept as a record of all disbursements. In either event, the borrower must sign for each advance of Perkins Loan funds on the promissory note.

Uneven Perkins Loan disbursements are permitted if the aid administrator can document that a student will incur uneven costs during the academic year. This may result from such things as higher book or equipment costs at the beginning of an academic year or program of study.

12.16 REPAYMENT

Perkins Loan borrowers are not required to make payments on either the loan interest or principal:

- ✧ while enrolled at least half-time at an institution of postsecondary education;
- ✧ during approved deferment periods; and

- during the 9-month grace period for new borrowers or 6-month grace period for continuing borrowers, as described below.

With the exception of deferments granted on the basis of extraordinary circumstances (hardship deferments), interest does not accrue on a borrower's loans during these periods.

Repayment of Loans for Borrowers Enrolled At Least Half-Time

When a student who received a loan while attending at least half-time stops attending classes through graduation, withdrawal, or courseload reduction, the student's 9-month initial grace period begins. This is a period in which the student has the opportunity to secure employment in preparation for repaying the student loan. For loans made before October 1, 1980, repayment begins at the close of a 9-month grace period. With the exception of Perkins Loans,* which have a 9-month grace period, loans made on or after October 1, 1980 entitle a borrower to a 6-month post-deferment grace period after each authorized deferment period, except in the case of a "hardship" deferment.

A student's grace period ends when the student has not been enrolled at least half-time continuously for the entire 6-, 9-, or 12-month period. If the student returns to school on at least a half-time basis before the grace period expires, he or she would still be entitled to a full grace period upon graduating or dropping below half-time enrollment status.

Students in repayment on their Perkins Loans are repaying their institution's loan fund and are billed either by their institution (financial aid office, business office, or student loan office) or a billing service retained and paid by their institution. The institution has the option of billing on a bi-monthly, monthly, or quarterly basis.

Most institutions bill either monthly or quarterly. Minimum Perkins Loan repayment amounts (interest and principal) using these schedules are:

- Monthly: $30 minimum Perkins Loan repayment
- Quarterly: $90 minimum Perkins Loan repayment

Deferments apply only after the borrower is required to begin repayment; the repayment period begins 6 to 9 months after the borrower ceases half-time enrollment.

Initial Grace Period: A period which immediately precedes the date of the first required repayment on a loan.

Post-Deferment Grace Period: A period of 6 consecutive months which immediately follows the end of certain periods of deferment and precedes the date on which the borrower is required to resume payment on a loan.

*Technically, *Perkins Loans* are of two types:

- those made to first-time borrowers for enrollment periods beginning on or after July 1, 1987.
- those made to students who have borrowed in the past, but whose loans have been paid in full or cancelled before July 1, 1987, and who are borrowing for enrollment periods beginning on or after July 1, 1987.

The actual amount of the student's payment will depend upon whether the institution exercises the minimum payment option and the total amount borrowed by the student. The student normally has 10 years to repay.

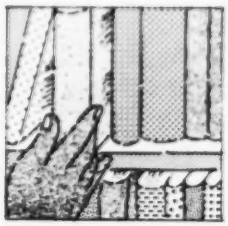
When a student in repayment status fails to make a scheduled payment when it is due or does not comply with other terms of the promissory note, the loan is said to be *in default*.

Repayment of Loans for Less-Than-Half-Time Student Borrowers

The promissory note used for those Perkins Loan borrowers enrolled on a less-than-half-time basis must state that the repayment period begins:

- on the date of the next scheduled installment payment on any outstanding loan to the borrower; or
- if the borrower has no outstanding loan, at the earlier of:
  - 9 months from the date the loan was made; or
  - the end of a 9-month period that includes the date the loan was made and began on the date the borrower ceased enrollment as at least a regular half-time student at an institution of higher education or comparable institution outside the U.S.

The promissory note must otherwise conform to the regular provisions of the Perkins Loan program.



See Chapter 6 of the *Federal Student Financial Aid Handbook* for a complete discussion of Perkins (Defense/Direct) loan repayment terms and grace periods.

12.17 DEFERMENT AND CANCELLATION

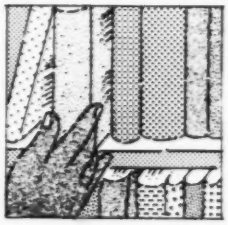
Perkins Loan deferment regulations provide for authorized periods when loan repayment (interest and principal) may be delayed. Authorized periods of deferment may be allowed for such circumstances as:

- a period when the borrower is enrolled as a regular student at least half-time for a full academic year, and intends to enroll as at least a half-time regular student in the next academic year;
- active military service;
- service in VISTA or the Peace Corps;

- ✧ service as an active member of the National Oceanic and Atmospheric Administration Corps (NOAAC);
- ✧ parental leave;
- ✧ a mother with children of preschool age entering or reentering the work force whose wage rate is no more than $1 above the minimum wage rate;
- ✧ a spouse who provides care, such as continuous nursing or other similar services required by a spouse who is disabled or a disabled dependent of the borrower; and
- ✧ an internship deferment (when the borrower holds at least a bachelor's degree before beginning an internship program, and the state licensing agency requires the borrower to complete the internship before certification for professional practice or service).

Borrowers must submit a written request for deferment and document the reason for it. Once the authorized period of deferment has ended, the borrower may receive a 6-month post-deferment grace period before entering repayment again (if the loan was made on or after October 1, 1980).

Other borrowers performing certain categories of teaching service or in active military service may qualify for *cancellation* of all or part of their Perkins Loan under cancellation provisions. Again, the borrower makes a written request and provides supporting documentation to the institution or its billing service when requesting cancellation.



Loan cancellations are provided under Perkins Loan repayment provisions for certain kinds of teaching and military service. Consult 45 CFR Part 674, Subpart D.

12.18 DUE DILIGENCE IN LOAN BILLING AND COLLECTION

Institutions participating in the Perkins Loan program must make serious and persistent efforts in collecting student loans to ensure the health of their revolving loan fund and to safeguard their participation in the Perkins Loan program. These efforts are formally known as *due diligence* requirements, and are procedural steps required of institutions by federal regulations.

Due diligence requires full and timely disclosure to student borrowers of their rights and responsibilities, and the use of extensive, persistent, and forceful procedures for collection of student loans. The major categories of activity included in the due diligence requirements are:

1. *Exit Interviews with Borrowers Before They Leave the Institution as a Result of Graduation or Withdrawal*

During an exit interview, borrowers receive a copy of their promissory note(s) and a statement of the borrower's rights and responsibilities. They also receive and sign a repayment schedule. Perkins Loan disclosure requirements stipulate that the institution must provide the following information to the borrower in the promissory note or in another written form:

- Name and address of the institution to which the loan is owed and to which all correspondence or other communications should be directed;
- Name and address to which loan payments should be sent;
- Scheduled date on which repayment is to begin;
- Estimated balance owed by the borrower for the loan(s) covered by the disclosure as of the scheduled date the repayment period is to begin;
- Applicable interest rate;
- Types of fees that may accrue or be charged to the borrower during the repayment period;
- Repayment schedule for all loans covered by the disclosure, including the date the first installment is due and the number, amount, and frequency of required payments;
- Explanation of any repayment options for loan consolidation or refinancing of the loan(s);
- Projected total interest charges that the borrower will pay on the loan(s), assuming that the borrower makes payments exactly in accordance with the payment schedule; and

A borrower must pay late charges on any payment not made on time. If a loan goes into default, the borrower will be assessed collection and litigation costs, and the default will be reported to credit bureaus.

- Statement that the borrower has the right to prepay all or part of the loan(s) covered by the disclosure at any time without penalty.

2. *Efficient Billing and Collection Services*

These should include:

- a series of required contacts with the borrower during the grace period;
- contacts with borrowers who are past due or in default;
- the use of a skiptracing service for updated addresses; and
- referral of delinquent accounts to collection firms.

Some institutions handle billing and collection procedures for their student loans. An institution may retain a billing service for this purpose; however, the institution is ultimately responsible for the work performed by its agent. The costs of retaining a billing service cannot be charged to the Perkins Loan Fund.

In the course of regular billing, some borrowers may fail to make scheduled repayments or to file documentation supporting deferment or cancellation of their loans. After making the required number of borrower contacts (or attempted borrower contacts), the institution must take steps to collect the loan, sue the borrower, or refer the borrower's account to a collection firm. Many institutions retain more than one collection firm to work delinquent accounts. This allows them to compare the performance of the firms.

Reasonable collection costs for the use of collection firms, commercial skiptrace agencies, and telephone calls to locate borrowers may be charged to the Perkins Loan Fund. If the institution collects its own loans, the actual costs of collection may be charged to the Fund. This includes salaries of staff members involved in loan collection and associated computer costs.

3. *Litigation in the Courts*

An institution may find that it is unable to collect on some loans even after significant efforts. It must then decide

whether to sue the borrower for payment of the loan. *An institution must sue the borrower if the borrower:*

- ✧ owes more than $200;
- ✧ can be located;
- ✧ has assets that would cover all or part of the debt; and
- ✧ has no legal reason for nonpayment.

Many institutions have experienced success in collecting smaller loan amounts through the local or state small claims court (or its equivalent). Borrowers may not be sued if they have been legally ruled bankrupt and, through the bankruptcy process, have discharged their loan(s). An institution may write off these loans once it receives official notice from the court that the loan has been discharged.

4. Assignment of Loans to the Department of Education

If an institution has exercised due diligence, including litigation, and is still unable to collect on a loan, it may assign the loan to the Department of Education for collection. Once assigned, a loan belongs to the federal government and any funds collected are deposited in the U.S. Treasury. Institutions assigning loans must submit to ED assignment documents, including:

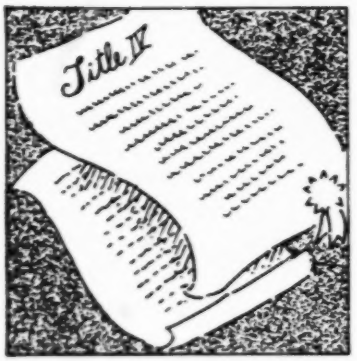
- ✧ a completed Form 553 (Perkins Loan Program Assignment Form);
- ✧ the original promissory note(s), signed and dated; and
- ✧ the borrower's payment history with the institution, showing the loan funds that were advanced. Institutions with default rates of 10% or greater must be able to document that they have exercised due diligence in the collection of any loans they are assigning.

Failure to follow these due diligence procedures will almost always ensure a high default rate at an institution. This may result in a severe reduction or cancellation of new federal Perkins Loan dollars for the institution, or its termination from participation in the program.

Formerly, institutions had the option of *referring* NDSL (now Perkins) loans in default to the Department of Education for collection. These loans remained the property of the institution, with a portion of any funds collected on the loan reimbursed by ED to the institution. NDSL loan referrals were discontinued on July 1, 1981; however, institutions may still receive reimbursement on loans previously referred to ED.

12.19 THE INCOME CONTINGENT LOAN DEMONSTRATION PROJECT (ICL)

As part of the Higher Education Amendments of 1986, Congress approved an income contingent loan demonstration project beginning in the 1987-88 award year. This is a campus-based direct loan program which uses income contingent repayment methods to accommodate changes in a borrower's financial circumstances. Ten institutions were selected to participate in the initial demonstration project to determine the feasibility of alternate repayment methods for student loans.



The administration of this loan demonstration project parallels that of the Perkins Loan program, with the following exceptions:

- ICL loans are restricted to undergraduate students.
- The maximum borrowing limits are:
  - $2,500 for the first or second academic year of a program of study leading to a bachelor's degree;
  - $3,500 for the third year of study;
  - $4,500 for the fourth or fifth year of study; and
  - $17,500 in total.
- The interest rate on ICL loans is either a fixed or a variable rate, at the institution's discretion. It will be set annually by a statutory formula related to 91-day Treasury Bill rates.
- Interest on ICL loans begins to accrue from the date of disbursement of funds to the borrower.
- There are flexible repayment provisions for borrowers based on income.

Reports on the operation of the income contingent pilot program will be submitted to Congress in 1991 and 1995. Based upon its assessment of the pilot project, Congress will determine whether to fund a major expansion of the income contingent loan program.

The *interest* on an ICL loan is capitalized while the borrower is in school, during the grace period, during a period of authorized deferment, and when payments made by a borrower for a given year are insufficient to meet accrued interest costs.

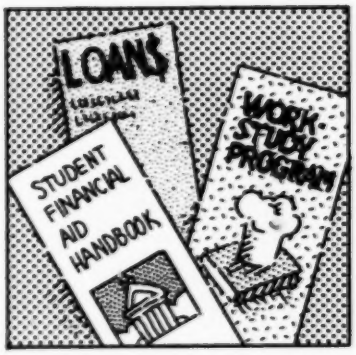
The *repayment period* for ICLs is divided into two parts:

- an initial period in which the payment obligation is based on a percentage of income, if the borrower provides income information, or a percentage of opening ICL balance, if no income information is provided
- the subsequent period in which the payment obligation is based on a percentage of income, the opening ICL balance, and the year of repayment

SUMMARY

This module has focused on the three Title IV campus-based programs:

- Supplemental Educational Opportunity Grants (SEOG)
- College Work-Study (CWS)
- Perkins Loans (formerly National Direct Student Loans)



These three programs are referred to collectively as the campus-based programs because funds are directly allocated to participating institutions and administered by them. Institutions apply annually for these funds using the FISAP form. On the basis of information on the FISAP, ED issues an authorization letter with allocations for each of the campus-based programs in which the institution participates.

Once an institution receives its allocation for the upcoming award year, it has significant administrative responsibilities for managing and awarding these funds. They include:

- developing and publishing the institution's selection criteria for eligible students and its award packaging policies;
- awarding and disbursing funds;
- coordinating campus-based funds with all other sources of assistance;
- maintaining and monitoring fund accounts;
- submitting an annual report of fund expenditures; and
- performing due diligence in the collection of Perkins Loans.

There are also some special provisions for flexibility in the management of these funds. They include:

- provisions for fund transfers between CWS and SEOG;
- CWS fund transfers back to the prior award year and forward to the upcoming award year
- use of a percentage of CWS funds for Job Location and Development and Community Service Learning programs;
- an administrative cost allowance of up to 5% of campus-based expenditures; and
- the authority to develop an institutionally tailored policy for awarding campus-based funds.

This module has discussed the specific eligibility and administrative requirements of each of the three campus-based programs. The SEOG program provides grants that range from $100 up to $4,000 to undergraduate students with exceptional need.

The CWS program offers part-time job experience to needy undergraduate and graduate students in both on-campus and eligible off-campus settings. Eligible students are paid at least the federal minimum wage, on a monthly or more frequent basis, for hours worked.

The Perkins Loan program provides loans at an interest rate of 5% to undergraduate and graduate students with exceptional need. The loans do not have to be repaid until the student graduates, withdraws, or drops below half-time enrollment status. Borrowing limits are based on academic level. Student borrowers generally have up to 10 years to repay, with regulatory provisions made for deferment of repayment and partial or total cancellation of loans under certain circumstances. The borrower makes payments to the institution which, in turn, deposits those payments into the Perkins Loan Fund. Repayments are then loaned to other eligible students from this revolving loan fund. The institution must adhere to the Department of Education's due diligence requirements for loan billing and collection.

POST-TEST

1. Which Title IV student aid program allows a portion of the program's funds to be carried forward or back (transferred) between award years?

   a. SEOG
   b. CWS
   c. Perkins Loan
   d. Stafford/SLS/PLUS

2. Unless a special waiver is granted, the maximum federal share of gross wages paid for the CWS program is: (circle all that apply)

   a. 60% for private, for-profit sector employment
   b. 40% for all forms of student employment
   c. 90% for Community Service Learning program employment
   d. 80% for all work-study programs in FY 1987-88 and beyond

3. Which programs allow funds to be awarded to less-than-half-time students? (circle all that apply)

   a. CWS
   b. SEOG
   c. Stafford Loan
   d. Perkins Loan

4. Which set of programs is identified as the campus-based programs?

   a. CWS, Perkins Loan, and Stafford Loan
   b. Pell Grant, SEOG, and SSIG
   c. PLUS, Stafford Loan, and CWS
   d. CWS, Perkins Loan, and SEOG

5. Transfer of funds between programs is allowed only in:

   a. CWS and Perkins Loan
   b. CWS and SEOG
   c. Perkins Loan and SEOG

6. Which of the following are characteristics of the SEOG program? (circle all that apply)

   a. matching funds called an Institutional Capital Contribution must be provided each year by the institution
   b. up to a 5% administrative cost allowance may be taken by the institution
   c. there is a $100 award minimum and $4,000 award maximum per academic year
   d. funds are awarded to undergraduate and graduate students
   e. a 10% transfer of funds to the CWS program is allowed
   f. funds are awarded first to students having exceptional financial need

7. College Work-Study job placements are restricted to on-campus locations. True or False?

8. In almost all cases, institutions are required to pay students employed under the College Work-Study program at least the federal minimum wage rate. True or False?

9. An institution is required to provide borrowers with full and timely disclosure of their rights and obligations under the Perkins Loan program, as well as to persistently and forcefully collect student loans. This process is called:

   a. truth in lending
   b. administrative capability
   c. due diligence
   d. student consumerism

10. Default on a Perkins Loan occurs when: (circle all that apply)

   a. a student has failed to make a required loan payment(s) or meet the other terms of the promissory note
   b. 30 days have elapsed in the student's grace period
   c. three consecutive late payments have been received from the student
   d. a student fails to comply with any terms of the loan

11. Institutions participating in the campus-based programs are allowed to support the administrative costs of the programs by: (circle all that apply)

   a. transferring 10% of SEOG and CWS funds to institutional accounts each year
   b. subtracting their Perkins Loan Institutional Capital Contribution from their Perkins Loan Fund
   c. calculating an administrative cost allowance and taking it from one or more campus-based accounts
   d. applying directly to the Department of Education for an administrative cost allowance

12. The purpose of a Perkins Loan exit interview is to: (circle all that apply)

   a. have the student sign a promissory note for the cumulative amount borrowed
   b. stress the borrower's rights and responsibilities under the program
   c. carefully review the terms of the loan and the borrower's repayment schedule
   d. collect the first loan payment prior to the student's departure from the institution

13. In administering the campus-based aid programs, which of the following officials or agencies has responsibility for the selection of campus-based aid recipients?

   a. the institution's financial aid administrator
   b. a state student loan guarantee agency
   c. the Department of Education
   d. the Pell Grant processor

ANSWERS

1. b. College Work-Study program regulations allow an institution to carry forward to the next award year or carry back to the preceding award year up to 10 percent of its current award year CWS allocation. (For further information, see Section 12.2.2.)

2. a. and c. As a result of the Higher Education Amendments of 1986, as amended, the maximum federal share of gross CWS wages varies by type of employment. The various maximum percentages for the federal share of CWS funds are scheduled for further changes during the next few years. (12.7.1, 12.7.2)

3. a., b., and d. The Higher Education Amendments of 1986 made less-than-half-time students eligible for Perkins Loans as well as for the CWS and SEOG programs. However, students must be enrolled at least half-time to be eligible for a Stafford Loan. Beginning in award year 1989-90, less-than-half-time students may be eligible for Pell Grants. (12.4, 12.6)

4. d. The SEOG, Perkins Loan, and CWS programs are referred to as "campus-based" because the federal funds for these programs are allocated directly to participating institutions. Institutions are responsible for the selection of eligible students and virtually all other administrative aspects of the programs on their campuses. (12.1)

5. b. Program regulations for SEOG and CWS allow such a funds transfer. A maximum of 10% of the institution's SEOG allocation for the award year may be transferred into the CWS program. Conversely, up to 10% of the CWS allocation may be transferred into the SEOG program. This gives the institution flexibility to meet institutional and student needs. (12.2.1)

6. b., c., e., and f. Starting with the 1989-90 academic year, there will be an institutional matching funds requirement. However, the term Institutional Capital Contribution is used only to refer to an institution's matching requirement for the Perkins Loan Fund. The institution is allowed to take an administrative cost allowance of up to 5% based upon SEOG award expenditures. The award minimum for an academic year is $100 and the award maximum is $4,000. SEOG funds are restricted to undergraduates who have not previously received a B.A. or B.S. degree. Up to 10% of the total SEOG authorization may be transferred and spent in the CWS program. Priority in awarding SEOG funds must be given to students with exceptional financial need. (12.2.4, 12.5)

7. False. CWS jobs may be on campus and off campus. On-campus employment at proprietary institutions is restricted to jobs that provide a student service. Off-campus job sites may be at nonprofit public or private and for-profit organizations. CWS positions must not involve partisan political activity or the construction or operation of a building used for religious worship or instruction. (12.8)

8. True. Institutions are required to pay CWS students the federal minimum wage (except in certain specific circumstances provided by law). (12.11.1)

9. c. Due diligence includes procedural steps in student loan collection which are required by federal regulations. Institutions must follow all of these procedural steps to comply with

due diligence requirements. For a discussion of the required elements and the sequence of steps in due diligence in student loan collection, see Appendix C. (12.18)

10. a. and d. Default is a status reached when a student borrower who is in repayment status has failed to make scheduled payments when due or has failed to comply with other terms of the promissory note. (12.16)

11. c. Participating institutions are allowed to take an administrative cost allowance each award year from available campus-based funds. This allowance is based upon the gross compensation paid to students from CWS funds, SEOG disbursements to students, and Perkins Loan advances to students during the award year. It may not exceed a maximum of 5% of the total expenditures (CWS gross compensations, SEOG disbursements, and Perkins Loan advances) for the award year, and can be taken from the allocation for one or more programs as long as the institution expended funds from that program during the award year. (12.2.4)

12. b. and c. Institutions are required to conduct a Perkins Loan exit interview with student borrowers who graduate, withdraw (officially or unofficially), or drop to a less-than-half-time enrollment status. In these interviews, the institutional official must review the borrower's rights and responsibilities and the terms and conditions of the loan, must give the borrower a copy of his or her promissory note and repayment schedule, and must provide the borrower with counseling on debt management and financial planning. Borrowers make no payments on the loan during the grace period and approved deferment periods. (12.18)

13. a. The institution's financial aid administrator is responsible for the selection of campus-based aid recipients. This is a defining characteristic of the "campus-based" student aid programs. (12.3)

Questions: 13 Your Score: ____ Percentage: ____

GLOSSARY

administrative cost allowance	A payment made to an institution or guarantee agency for the purpose of offsetting the cost of administering Title IV programs.
appeal process	The process by which a student requests further consideration in the financial aid process.
award letter	Notifies student financial aid applicants that they have qualified for federal financial aid and informs them of the assistance being offered. The award letter usually gives information on the types and amounts of aid offered, as well as specific program information, student responsibilities, and the conditions which govern the award. Generally, the award letter gives students the opportunity to accept or decline the aid offered. Also referred to as award notification.
billing service	A business organization that services loan accounts (billing and receipting) for lenders. A fee is charged for the service.
campus-based programs	The term that is applied to three federal Title IV student aid programs administered by eligible institutions of postsecondary education. These programs are the Perkins Loan (formerly National Direct Student Loan), College Work-Study, and Supplemental Educational Opportunity Grant programs.
cancellation of loan	The condition that exists when a borrower has fulfilled specified requirements permitting cancellation of the borrower's obligation to repay a designated portion of the principal and interest.
collection costs	Reasonable costs incurred by the use of a commercial skiptrace agency or collection firm in an attempt to recover loan funds.
collection firm	A business organization that accepts from a lender loan accounts that are in default and attempts to collect on those accounts. A fee is charged for the service.
default	The failure of a borrower either to make an installment payment when it is due or to comply with other terms of the promissory note.
deferment of loan	A period during which the repayment of the principal amount of the loan is suspended as a result of the borrower meeting one of a number of requirements established by law. During this period, Perkins Loan borrowers and most Stafford Loan borrowers will not have to pay interest on the loan. Most students who borrow under the Stafford Loan and SLS programs are entitled to the same authorized deferments; parent PLUS borrowers are entitled to a more limited set of deferments. (Prior to passage of the Higher Education Amendments of 1986, independent undergraduate

	students were allowed to borrow under the PLUS program. These student borrowers were allowed the same deferments as those offered under the Stafford Loan and SLS programs.)
delinquent borrower	A Stafford Loan borrower who has failed to make an installment payment on its due date.
due diligence	Full and timely disclosure to student borrowers of their rights and obligations through personal entrance and exit interviews; and the use of extensive, persistent, and forceful procedures for the making, servicing, and collection of student loans.
exit counseling/exit interview (student borrower)	Each school participating in the Stafford and Perkins Loan programs must offer special counseling often called "exit counseling." The institution must offer this counseling through exit interviews with individuals or groups of borrowers before they leave school. If students leave the institution before exit counseling is given, the institution must send them the information at their last known address. Exit counseling must include (a) general information on the average indebtedness of students at the institution; (b) a repayment schedule projecting average monthly repayments at the student's interest rate; and (c) a review of options for repayment and management of the debt (loan consolidation, refinancing, etc.).
Federal Capital Contribution (FCC)	The portion of a Perkins Loan Fund allocated to an institution by the federal government.
financial aid award	An offer of financial or in-kind assistance to a student attending a postsecondary educational institution. This award may be in the form of one or more of the following types of financial aid: a repayable loan, a nonrepayable grant and/or scholarship, or student employment.
grace period	The period of time that begins when a loan recipient ceases to be at least a half-time student and ends when the repayment period starts. The loan principal and interest need not be paid by the student during the grace period.
Institutional Capital Contribution (ICC)	The portion of the Perkins Loan Fund contributed by the institution. This amount must be equal to at least one-ninth of the federal capital contribution.
overaward	The condition which exists when an institution provides financial assistance to a student which, in combination with all of the resources made available to that student from federal and nonfederal sources, exceeds the difference between the student's Cost of Attendance and the expected family contribution. While the above defines an overaward, an institution is not in violation of campus-based program regulations which prohibit overawards if: (a) the student receives funds after the institution awards aid and the total resources exceed his/her financial need by $200 or less; or

	(b) the student earns more money from employment than the institution anticipated when it made the award and it treats the earnings in accordance with program requirements.
promissory note	The legal document the borrower signs when obtaining a loan. It lists the conditions under which the loan is made and the terms under which the borrower agrees to pay back the loan.
repayment schedule	A plan which sets forth the principal and interest due in each installment and the number of payments required to pay the loan in full. Additionally, it should include the interest rate, the due date of the first payment, and the frequency of payments.
skiptracing	When a borrower no longer resides at the address to which a lender or school is sending billing notices, the lender or school must attempt to find a correct address. They may use any information obtained from the borrower while the borrower was at the institution, or information from such offices as the registrar's office or the alumni office. If a borrower cannot be located with information available at the institution or otherwise available to the lender, the lender or school must use the Department of Education's free skiptracing service.
transfer of funds	The transfer of an allowable percentage of the allocations between the CWS and SEOG programs, as permitted by statute.
underutilization	Awarding a total amount of funds to eligible students in an award year that is less than the institution's authorized level of funding.

ACRONYMS

ACA	Administrative Cost Allowance.
CSL	Community Service Learning program.
CWS	College Work-Study program, the campus-based Title IV employment program.
ED/PMS	Department of Education Payment Management System.
FCC	Federal Capital Contribution.
FISAP	The Fiscal Operations Report and Application to Participate in the Perkins Loan, SEOG, and CWS programs.
ICC	Institutional Capital Contribution.

JLD	Job Location and Development program.
NDSL	National Direct Student Loan program. This campus-based Title IV loan program was renamed the Perkins Loan program in the Higher Education Amendments of 1986.
SEOG	Supplemental Educational Opportunity Grant program. The campus-based Title IV grant program.

KEY RESOURCES

1. U.S. Department of Education, Office of Student Financial Assistance, *A Guide to the Repayment of Multiple National Direct Student Loans*, Washington, D.C., OSFA/ED, 1984.

2. --------, *Current Title IV Regulations*, Washington, D.C., OSFA/ED, 1988.

3. --------, *Federal Student Financial Aid Handbook*, Washington, D.C., OSFA/ED, 1988.

   See Chapters 5 through 8 for information relevant to this module.

4. --------, *National Defense/Direct Student Loan Program Deferment and Cancellation Guide*, Washington, D.C., OSFA/ED, 1985.

5. McAlvey, Warren C., and Anne J. Price, *Student Loan Collection Procedures, Revised Edition*, Washington, D.C., National Association of College and University Business Officers, 1985.

The references listed above can be obtained by contacting the publishing organization. For U.S. Department of Education addresses, see the inside back cover or the Support Booklet. For all other addresses, see the Support Booklet.

APPENDIX A

SAMPLE CWS MATERIALS: OFF-CAMPUS CWS AGREEMENT, CWS JOB REQUEST FORM, AND CWS PAYROLL TIME RECORD

Page

50 Sample Off-Campus CWS Agreement

53 Sample CWS Job Request Form

54 Sample CWS Payroll Time Record

SAMPLE OFF-CAMPUS CWS AGREEMENT

(The paragraphs below are suggested as models for the development of a written agreement between an institution of higher education and a federal, state, or local public agency or private nonprofit organization which employs students participating in the College Work-Study program. Institutions and agencies or organizations may devise additional or substitute paragraphs which are not inconsistent with the statute or regulations.)

This agreement is entered into between_____, hereinafter known as the "Institution," and _____, hereinafter known as the "Organization," a (federal, state, or local public agency), (private nonprofit organization), (strike one), for the purpose of providing work to students eligible for the College Work-Study program (CWS).

Schedules to be attached to this agreement from time to time must be signed by an authorized official of the institution and the organization and must set forth–

(1) brief descriptions of the work to be performed by students under this agreement;
(2) the total number of students to be employed;
(3) the hourly rates of pay; and
(4) the average number of hours per week each student will be used.

These schedules will also state the total length of time the project is expected to run, the total percent, if any, of student compensation that the organization will pay to the institution, and the total percent, if any, of the cost of the employers' payroll contribution to be borne by the organization. The institution will inform the organization of the maximum number of hours per week a student may work.

Students will be made available to the organization by the institution to perform specific work assignments. Students may be removed from work on a particular assignment or from the organization by the institution, either on its own initiative or at the request of the organization. The organization agrees that no student will be denied work or subjected to different treatment under this agreement on the grounds of race, color, national origin, or sex. It further agrees that it will comply with the provisions of the Civil Rights Act of 1964 (Pub. L. 88-352; 78 Stat. 252) and Title IX of the Education Amendments of 1972 (Pub. L. 92-318) and the Regulations of the Department of Education which implement those Acts.

(Where appropriate any of the following 3 paragraphs or other provisions may be included.)

(1) Transportation for students to and from their work assignments will be provided by the organization at its own expense and in a manner acceptable to the institution.

(2) Transportation for students to and from their work assignments will be provided by the institution at its own expense.

(3) Transportation for students to and from their work assignments will not be provided by either the institution or the organization.

*(Whether the institution or the organization will be considered the employer of the students covered under the agreement depends upon the specific arrangement as to the type of supervision exercised by the organization. It is advisable to include some provision to indicate the intent of the parties as to who is considered the employer. As appropriate, one of the following two paragraphs may be included.)**

(1) The institution is considered the employer for purposes of this agreement. It has the ultimate right to control and direct the services of the student for the organization. It also has the responsibility to determine whether the students meet the eligibility requirements for employment under the College Work-Study program, to assign students to work for the organization, and to determine that the students do in fact perform their work. The organization's right is limited to direction of the details and means by which the result is to be accomplished.

(2) The organization is considered the employer for purposes of this agreement. It has the right to control and direct the services of the student, not only as to the result to be accomplished, but also as to the means by which the result is to be accomplished. The institution is limited to determining whether the students meet the eligibility requirements for employment under the College Work-Study program, to assigning students to work for the organization, and to determine that the students do in fact perform their work.

(Wording of the following nature may be included, as appropriate, to locate responsibility for payroll disbursements and payment of employers' payroll contributions.)

Compensation of students for work performed on a project under this agreement will be disbursed, and all payments due as an employer's contribution under state or local workmen's compensation laws, under federal or state social security laws, or under other applicable laws, will be made by the (organization) (institution) (strike one).

**It should be noted that although the suggested paragraphs attempt to fix the identity of the employer, they will not necessarily be determinative if the actual facts indicate otherwise. Additional wording which specifies the employer's responsibility in case of injury on the job may also be advisable, since federal funds are not available to pay for hospital expenses or claims in case of injury on the job. In this connection it may be of interest that one or more insurance firms in at least one state have in the past been willing to write a workmen's compensation insurance policy which covers a student's injury on the job regardless of whether it is the institution or the organization which is ultimately determined to have been the student's employer when he or she was injured.*

(Where appropriate any of the following paragraphs may be included.)

(1) At times agreed upon in writing, the organization will pay to the institution an amount calculated to cover the organization's share of the compensation of students employed under the agreement.

(2) In addition to the payment specified in paragraph (1) above, at times agreed upon in writing, the organization will pay, by way of reimbursement to the institution, or in advance, an amount equal to any and all payments required to be made by the institution under state or local workmen's compensation laws, or under federal or state social security laws, or under any other applicable laws, for students participating in projects under this agreement.

(3) At times agreed upon in writing, the institution will pay to the organization an amount calculated to cover the federal share of the compensation of students employed under this agreement and paid by the organization. Under this arrangement the organization will furnish to the institution for each payroll period the following records for review and retention:

(a) Time reports indicating the total hours worked each week in clock time sequence and containing the supervisor's certification as to the accuracy of the hours reported;

(b) A payroll form identifying the period of work, the name of each student, each student's hourly wage rate, the number of hours each student worked each day, each student's gross pay, all deductions and net earnings, and the total federal share applicable to each payroll;* and

(c) Documentary evidence that students received payment for their work, such as photographic copies of cancelled checks.

*

_____ ----------

Date Signature of Institutional Representative

_____ ----------

Date Signature of Public Agency or Nonprofit Organization Representative

*These forms must be countersigned by the institution, attesting to hours worked and the accuracy of the federal share to be reimbursed.

SAMPLE CWS JOB REQUEST FORM

ON-CAMPUS DEPARTMENTS ONLY

Department: _____

Department: _____

Name of Supervisor: _____

Address: _____

Telephone: _____

Authorized Signature: _____

OFF-CAMPUS AGENCY ONLY

Employing Agency: _____

Address: _____

Contract #: _____

Contact Person: _____

Telephone: _____

Authorized Signature: _____

Terms for which employees are requested: _____

Job Supervisor: _____

Telephone: _____

Job Title: _____ Hourly Rate: _____

Job Description/Skills Required:

Hours: _____

SAMPLE CWS PAYROLL TIME RECORD

Student's Name _____
Last First Initial

	Sun	Mon	Tues	Wed	Thurs	Fri	Sat
IN:							
OUT:							
HOURS:							
	9/4/88	9/5	9/6	9/7	9/8	9/9	9/10

	Sun	Mon	Tues	Wed	Thurs	Fri	Sat
IN:							
OUT:							
HOURS:							
	9/11/88	9/12	9/13	9/14	9/15	9/16	9/17

Social Security Number ___ -__-____ _____
Student's Signature

SUPERVISOR'S SECTION ONLY

Pay Period _____ to _____

Total Number of Hours Worked _____ Pay Rate $_____ /Hour

I certify that this student has worked the number of hours reported and has performed this work in a satisfactory manner.

_____ _____
Supervisor's Signature Date

This work was not performed in a satisfactory manner.

_____ _____
Supervisor's Signature Date

APPENDIX B

SAMPLE PERKINS LOAN MATERIALS: PROMISSORY NOTE, STATEMENT OF RIGHTS AND OBLIGATIONS, AND INITIAL INTERVIEW QUESTIONNAIRE

Page

56 Sample Perkins Loan Promissory Note

60 Sample Perkins Loan Statement of Borrower's Rights and Obligations

61 Sample Perkins Loan Initial Interview Questionnaire

Twelve-56

PROMISSORY NOTE
PERKINS LOAN PROGRAM (formerly National Direct Student Loan)

I, _____, promise to pay to _____ (hereinafter called the Lending Institution) located at _____, the sum of the amounts that are advanced to me and endorsed in the Schedule of Advances set forth below. I promise to pay all attorney's fees and other reasonable collection costs and charges necessary for the collection of any amount not paid when due.

SCHEDULE OF ADVANCES

The following amounts were advanced to me under this loan agreement on the dates indicated:

	AMOUNT	DATE	SIGNATURE OF BORROWER
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			

I further understand and agree that:

I. GENERAL

(1) Applicable Law. All sums advanced under this note are drawn from a fund created under Part E of Title IV of the Higher Education Act of 1965, as amended, hereinafter called the Act, and are subject to the Act and the Federal Regulations issued under the Act. The terms of this note shall be interpreted in accordance with the Act and Federal Regulations, copies of which are to be kept by the Lending Institution.

(2) Procedures for Receiving Deferment or Cancellation. I understand that in order to receive a deferment or cancellation, I must request the deferment or cancellation in writing from the Lending Institution, and must submit to the Lending Institution any documentation required by the Lending Institution to prove that I qualify for the deferment or cancellation. I further understand that if I am eligible for deferment or cancellation under Articles VI through XI, I am responsible for submitting the appropriate requests on time. I further understand that I may lose my deferment and cancellation benefits if I fail to file my request on time.

II. INTEREST

Interest shall accrue from the beginning of the repayment period and shall be at the ANNUAL PERCENTAGE RATE OF FIVE PERCENT (5%) on the unpaid balance, except that no interest shall accrue during any deferment period described in paragraph VI(1).

III. REPAYMENT

(1) I promise to repay the principal and the interest which accrues on it to the Lending Institution over a period beginning 9 months after the date I cease to be at least a half-time student at an institutuion of higher education, or at a comparable institution outside the United States approved for this purpose by the United States Secretary of Education (hereinafter called the Secretary), and ending, unless paragraphs III(4), III(5), III(7), or VI(1) applies, 10 years later.

(2) Upon my written request, the repayment period may start on a date earlier than the one indicated in paragraph III(1).

(3)(A) I promise to repay the principal and interest over the course of the repayment period in equal monthly, bi-monthly or quarterly installments as determined by the Lending Institution. I understand that if my monthly payment for all the loans made to me by the Lending Institution is not a multiple of $5, the Lending Institution may round that payment to the next highest dollar amount that is a multiple of $5.

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(B) Notwithstanding paragraph III(3)(A), upon my written request, repayment may be made in graduated installments in accordance with a schedule approved by the Secretary.

(C) The Lending Institution shall attach the schedule of repayments and the schedule will become part of the note.

(4) Notwithstanding paragraph III(1), if I qualify as a low-income individual during the repayment period, the Lending Institution may, upon my written request, extend the repayment period for up to an additional 10 years, or adjust any repayment schedule to reflect my income, or both.

(5)(A) If the monthly rate that would be established under paragraph III(1), or the total monthly repayment rate of principal and interest on all my Perkins Loans including this loan, is less than $30 per month, I shall repay the principal and interest on this loan at the rate of $30 per month (which includes both principal and interest).

(5)(B) If I have received Perkins Loans from other institutions and the total monthly repayment rate on those loans is less than $30, the $30 monthly rate established under subparagraph III(5)(A) is the rate I pay on all my outstanding Perkins Loans and is not in addition to the amount I pay on those other loans. The amount of my monthly repayment rate attributable to this loan is the amount which represents the difference between $30 and the monthly rates I must pay on my other Perkins Loans.

(6) The Lending Institution may permit me to pay less than the rate of $30 per month for a period of not more than one year where necessary to avoid hardship to me unless that action would extend the repayment period in paragraph III(1).

(7) The Lending Institution may, upon my written request, reduce any scheduled repayments or extend the repayment period indicated in paragraph III(1), if, in its opinion, extraordinary circumstances such as prolonged illness or unemployment, prevent me from making the scheduled repayments. However, interest shall continue to accrue.

IV. PREPAYMENT

(1) I may, at my option and without penalty, prepay all or any part of the principal, plus the accrued interest thereon, at any time.

(2) Amounts I repay in the academic year in which the loan was made will be used to reduce the amount of the loan and will not be considered a prepayment.

(3) If I repay more than the amount due for any installment, the excess will be used to prepay principal unless I designate it as an advance payment of the next regular installment

V. DEFAULT

(1) The Lending Institution may, at its option, declare my loan to be in default and may demand immediate payment of the entire unpaid balance of the loan, including principal, interest, and late charges if -

(A) I do not make a schedule payment when it is due, and

(B) I do not submit to the Lending Institution on or before the date on which payment is due, documentation that I qualify for a deferment or cancellation described in Articles VI, VII, VIII, IX, X, or XI of this agreement.

(2) I understand that if I default on my loan repayments, the Lending Institution may disclose that I have defaulted, along with other relevant information, to credit bureau organizations.

(3) Further, I understand that if I default on my loan repayment and the loan is sent to the Secretary for collection, the Secretary may disclose that I have defaulted, along with other relevant information, to credit bureau organizations.

(4) I understand that if the Lending Institution accelerates the loan under paragraph V(1), I will lose my cancellation and deferment benefits for service performed after the date the Lending Institution accelerated the loan.

(5) I understand that failure to pay this obligation under the terms agreed upon will prevent my obtaining additional student financial aid authorized under Title IV of the Higher Education Act of 1965 as amended, until I have made arrangements which are satisfactory to the Lending Institution or the Secretary reguarding the repayment of the loan.

VI. DEFERMENT

(1) Interest will not accrue, and installments of principal need not be paid -

(A) While I am enrolled and in attendance as at least half-time student at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the Secretary;

(B) For a period of three (3) years during which I am -

(i) On full-time active duty as a member of the Armed Forces of the United States (Army, Navy, Air Force, Marine Corps, or Coast Guard) or the National Oceanic and Atmospheric Administration Corps, or as an officer on full-time active duty in the Commissioned Corps of the United States Public Health Service,

(ii) In service as a volunteer under the Peace Corps Act,

(iii) A volunteer under the Domestic Volunteer Service Act of 1973 (ACTION programs),

(iv) A full-time volunteer in a tax-exempt organization performing service comparable to the service performed in the Peace Corps or under the Domestic

Volunteer Service Act of 1973, or

(v) Temporarily totally disabled as established by an affidavit of a qualified physician, or unable to secure employment because I am providing care required by a dependent who is so disabled;

(C) For a period not in excess of two (2) years after I receive a baccalaureate or professional degree during which time I am serving in an internship which is required in order that I may receive professional recognition required to begin my professional practice or service, or serving in a internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital or a health care facility that offers postgraduate training;

(D) For a period not in excess of one (1) year during which I as a mother of preschool age children, who has entered or reentered the work force, am being paid at a rate which does not exceed $1.00 above the hourly wage established by section 6 of the Fair Labor Standards Act of 1938;

(E) For a period not in excess of six months if -

(i) I am pregnant, caring for my newborn baby, or caring for a child immediately after he or she was placed with me through adoption and I am not attending an eligible institution of higher education or being gainfully employed during the six month period, and

(ii) I was enrolled as at least a half-time student at an eligible institution within six months of the first day of that period; and

(F) During a six (6) month period following the expiration of any deferment provided in paragraphs VI(1)(A) through VI(1)(E).

(2) The Lending Institution may, upon my written request, defer my scheduled repayments if it determines that the deferment is necessary to avoid a financial hardship for me. Interest, however, will continue to accrue.

VII. CANCELLATION FOR TEACHING

(1) I am entitled to have up to 100 percent of the amount of this loan plus the interest thereon cancelled if I undertake service -

(A) As a full-time teacher for a complete academic year in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year of service for funds under Chapter 1 of the Education Consolidation and Improvement Act of 1981, as amended, and which has been designated by the Secretary (after consultation with each State Department of Education) in accordance with the provisions of section 465(a)(2) of the Act as a school with a high concentration of students from low-income families. An official Directory of designated low-income schools is published annually by the Secretary.

(B) As a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech and language impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, children with specific learning disabilities, or other health-impaired children, who by reason thereof require special education and related services) in a public or other nonprofit elementary or secondary school system.

(2) This loan will be cancelled at the following rates:

(A) 15 percent of the total principal amount of the loan plus interest on the unpaid balance will be cancelled for the first and second complete academic years of that teaching service,

(B) 20 percent of the total principal amount plus interest on the unpaid balance for the third and fourth complete academic years of that teaching service,

(C) 30 percent of the total principal amount plus interest on the unpaid balance for the fifth complete academic year of that teaching service.

VIII. HEAD START CANCELLATION

(1) I am entitled to have up to 100 percent of the amount of this loan plus the interest thereon cancelled if I undertake service as a full-time staff member in a Head Start program if -

(A) That Head Start program is operated for a period which is comparable to a full school year in the locality, and

(B) My salary is not more than the salary of a comparable employee of the local educational agency.

(2) This loan will be cancelled at the rate of 15 percent of the total principal amount plus interest on the unpaid balance for each complete school year or the equivalent of service in a Head Start program.

(3) Head Start is a preschool program carried out under the Head Start Act. (Subchapter B, Chapter 8 of Title VI of Pub. L. 97-35, the Budget Reconciliation Act of 1981; formerly authorized under section 222(a)(1) of the Economic Opportunity Act of 1964).

IX. MILITARY CANCELLATION

(1) I am entitled to have up to 50 percent of the principal amount of this loan plus the interest thereon cancelled if I serve as a member of the Armed Forces of the United States in an area of hostilities that qualifies for special pay under section 310 of Title 37 of the United States Code.

(2) This loan will be cancelled at the rate of 12 ½ percent of the total principal amount plus interest on the unpaid balance for each complete year of such service.

X. PEACE CORPS CANCELLATION

(1) I am entitled to have up to 70 percent of the amount of this loan plus the interest thereon cancelled if I undertake service --

(A) As a volunteer under the Peace Corps Act; or

(B) As a volunteer under the Domestic Volunteer Service Act of 1973.

(2) This loan will be cancelled at the following rates:

(A) 15 percent of the total principal amount of the loan plus interest on the unpaid balance will be cancelled for the first and second twelve-month period of volunteer service;

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(B) 20 percent of the total principal amount of the loan plus interest on the unpaid balance will be cancelled for the third and fourth twelve-month period of volunteer service.

XI. DEATH AND DISABILITY CANCELLATION

(1) In the event of my death, the total amount owed on this loan will be cancelled.
(2) If I become totally and permanently disabled after I receive this loan, the Lending Institution will cancel the total amount of this loan.

XII. CHANGE IN NAME, ADDRESS, TELEPHONE NUMBER AND SOCIAL SECURITY NUMBER

I am responsible, and any endorser is responsible, for informing the Lending Institution of any change or changes in name, address, telephone number or social security number.

XIII. LATE CHARGE

(1) The Lending Institution may impose a late charge if -
(A) I do not make a scheduled payment when it is due, and
(B) I do not submit to the Lending Institution on or before the date on which payment is due, documentation that I qualify for a deferment or cancellation described in Articles VI, VII, VIII, IX, X, and XI of this agreement.
(2) No charge may exceed twenty (20) percent of my monthly, bimonthly or quarterly payment.
(3)(A) The Lending Institution may –
(i) Add the late charge to the principal the day after the scheduled repayment was due; or
(ii) Include it with the next scheduled repayment after I have received notice of the late charge.
(B) If the Lending Institution elects to add the assessed charge to the outstanding principal of the loan, it must so inform me before the due date of the next installment.

XIV. ASSIGNMENT

(1) This note may be assigned by the Lending Institution only to -
(A) The United States;
(B) Another institution upon my transfer to that institution if that institution is participating in this program; or
(C) Another insitution approved by the Secretary.
(2) The provisions of this note that relate to the Lending Institution shall, where appropriate, relate to an assignee.

XV. PRIOR LOANS

I hereby certify that I have listed below all of the Perkins Loans I have obtained at other institutions. (If no prior loans have been received, state "None.")

SCHEDULE OF PERKINS LOANS AT OTHER INSTITUTIONS

	AMOUNT	DATE	NAME OF INSTITUTION
1.			
2.			
3.			
4.			

NOTICE TO BORROWER: DO NOT SIGN THIS NOTE BEFORE YOU READ IT. THE LENDING INSTITUTION MUST SUPPLY TO YOU AND ANY ENDORSER A COPY OF THIS NOTE. (This note is signed as a sealed instrument.)

SIGNATURE _____ Date _____ 19_____.

Permanent Address (Street or Box Number, City, State, and Zip) _____.

Social Security Number (borrower must provide) _____.

The borrower and Lending Institution shall execute this note without security and without endorsement unless the borrower is a minor and this note would not, under the law of the State in which the Lending Institution is located, create a binding obligation. If the borrower is a minor and this note would not therefore, be legally binding, the Lending Institution shall require a cosigner to this note:

SIGNATURE OF COSIGNER _____ Date _____ 19_____.

Permanent Address (Street or Box Number, City, State, Zip) _____.

_____.

(20 U.S.C. 1087dd) Format by the National Association of Student Financial Aid Administrators.

Twelve-59

SAMPLE PERKINS LOAN STATEMENT OF RIGHTS AND OBLIGATIONS

1. I understand that I have received a loan and that the loan must be repaid in accordance with the repayment schedule. I acknowledge receipt of my repayment schedule.

2. I understand that I must inform _____ (name, address, phone number of school)

   _____

   (a) If I withdraw from school.
   (b) If I transfer to another school.
   (c) If I drop below half-time status.
   (d) If my name or address changes.

3. I understand that when I graduate or withdraw from _____ (name of school) I must arrange for an exit interview by calling _____ (phone number).

4. My first payment is due on _____ in the amount of $_____ plus / including interest. The full amount of my loan is $_____.

5. I understand that the **ANNUAL PERCENTAGE RATE** of ____% will be the **FINANCE CHARGE** based on the unpaid balance and that it will begin to accrue ____ **MONTHS** after I cease to be enrolled as at least a half-time student.

6. I understand that cancellation will be granted for certain types of elementary or secondary school teaching; for military service in areas of hostilities; for full-time staff members in Head Start; and in the event of death or permanent disability. I also accept the responsibility to inform the school of such status.

7. I understand that I may request deferment of my National Direct Student Loan payments
   (a) If I enroll for at least half-time study at an institution of higher education.
   (b) If I enter military service on active duty.
   (c) If I enter VISTA or the Peace Corps.
   (d) If I enter volunteer service in a private non-profit VISTA or Peace Corps type organization.
   (e) If I serve as an officer in the U.S. Public Health Service Commissioned Corps.
   (f) If I become temporarily totally disabled, or unable to work because I am providing care required by my spouse who is so disabled.
   (g) If I enter an internship program determined to be eligible for NDSL deferment.

8. I understand that if my loan carries a six-month period of grace, I will be entitled to an additional six-month period of grace after the completion of each deferment period for study, service, or disability.

9. I understand that if I fail to repay any loan as agreed, the total loan may become due and payable immediately and legal action could be taken against me.

10. I understand that if so provided in the promissory note, the lending institution may, in the event of my failure to make any scheduled payment, assess a penalty charge and, in the event of my default, require me to pay all reasonable collection costs and fees.

11. I understand that I must promptly answer any communication from _____ (name of school) regarding the loan.

12. I understand I may prepay at any time. I further understand that future interest will be reduced by making such payments.

13. I understand that if I cannot make payment on time, I must contact _____ (name of school) to make arrangements.

14. I authorize _____ (name of school) to contact any school which I may attend, to obtain information concerning my student status, my year of study, my dates of attendance, graduation or withdrawal, my transfer to another school, or my current address.

I ATTEST THAT I HAVE READ AND UNDERSTAND MY RIGHTS AND OBLIGATIONS, AND THAT I WILL ADHERE TO THEM.

_____ Date

_____ Signature of Student

_____ Signature of Lending Institution Representative

SAMPLE PERKINS LOAN INITIAL INTERVIEW QUESTIONNAIRE

Personal and Confidential Information

To be completed by the student:
(PLEASE PRINT)

Date _____

NAME _____ (Last) _____ (First) _____ (Middle Initial) STUDENT NUMBER _____

LOCAL ADDRESS:

STREET (inc. Apt. No.) _____

CITY _____

STATE _____ ZIP _____

TELEPHONE NO. _____ (area code)

PERMANENT ADDRESS:

STREET (inc. Apt. No.) _____

CITY _____

STATE _____ ZIP _____

TELEPHONE NO. _____ (area code)

Birth Date _____ Social Security Number _____

Driver's License Number _____ State _____

Current Employer _____

Last College Attended (Name) _____ Major _____

CLASS: Fresh. _____ Soph. _____ Jr. _____ Sr. _____ Grad. _____ Exp. Graduation Date _____

Spouse's Name _____ Spouse's Employment _____

PARENT OR GUARDIAN:

Name _____ (First) _____ (Initial) _____ (Last)

Street (inc. Apt. No.) _____ Telephone _____ (area code)

City _____ State _____ Zip Code _____

Parent's Employer's Name _____

Employer's Business Address _____ (City) _____ (State)

Brothers and Sisters over 18 not living at home (*List married name of sisters, for example: Mrs. Robert R. Anderson*):

Name _____ Address _____ Phone _____

Name _____ Address _____ Phone _____

PERSONAL REFERENCES (*e.g., A professional friend or associate, non-relative, etc.*):

Name _____ Address _____ Phone _____

Name _____ Address _____ Phone _____

OTHER INFORMATION:

Auto Insurance Co. _____ Address _____ Policy No. _____

Health Insurance Co. _____ Address _____ Policy No. _____

Life Insurance Co. _____ Address _____ Policy No. _____

Credit Card Name _____ Account No. _____

Credit Card Name _____ Account No. _____

Other Educational Loans - Name of Institution: NDSL _____

GSL/FISL _____ Private _____

BANKS - Names and Addresses:

Checking _____ Account No. _____

Savings _____ Account No. _____

SIGNATURE OF BORROWER X _____ DATE X _____

APPENDIX C

DEPARTMENT OF EDUCATION DUE DILIGENCE REQUIREMENTS

This appendix provides a summary of *due diligence* requirements--the steps that a school must take to collect Perkins/NDSL Loans. For a more detailed account of due diligence in loan collection, see Chapter 6 of the 1988-89 *Federal Student Financial Aid Handbook*.

✦ **While Borrower is Not in Repayment:**

- ✧ Keep your information on the borrower up to date. For example, make sure you have a current address so you will know where to contact them when repayment is due.

- ✧ Hold an exit interview just before the borrower leaves school:
  - Provide the required basic information, such as the terms of the loan and amount outstanding.
  - Inform the borrower of his or her rights and responsibilities, such as deferment rules and the need to inform the school of changes in address.
  - Provide the required additional information, such as the exact address to which repayments should be sent.
  - Have the borrower sign the repayment schedule.

- ✧ Contact the borrower the required number of times during any grace period with reminders of when repayment must begin.

✦ **When Borrower Begins Repayment:**

- ✧ Follow appropriate billing procedures, notifying the borrower at least 30 days before the first payment and 15 days before subsequent payments are due.

- ✧ If a billing service is used, remember that the school bears the responsibility for observing applicable Title IV requirements. The requirements for both *billing services* and *collection firms* (see below) include the following:
  - These companies must issue a statement of activities for each borrower at least quarterly.
  - They may not be jointly owned.
  - They must maintain fidelity bonds or comparable insurance.

✦ **If Borrower Payment is Overdue:**

- ✧ Send required overdue notices. Impose the appropriate *late charge* or the optional *penalty charge*. Send the required second overdue notice and final demand letter.

- ✧ If the borrower does not respond to the final demand letter, the school must:
  - Try at least twice to make telephone contact before beginning collection procedures.
  - Try to recover the amount owed from any endorsers of the loan.

- ✧ Optionally, the school may choose to accelerate the loan (demand immediate payment in full).

- ✧ If communications are returned undelivered, the school must take appropriate measures to find telephone numbers and addresses, such as using ED's skip-tracing service. If unsuccessful, the school must continue to make reasonable efforts at least twice a year.

✦ **If Borrower is in Default:**

- ✧ Report the defaulted account to a credit bureau, unless state law prohibits this.
- ✧ *Either* use the school's own personnel to begin collection procedures *or* hire a collection firm.
- ✧ If a collection firm is used, remember that the school bears the responsibility for observing applicable Title IV requirements. The requirements for both *billing services* and *collection firms* were discussed in *When Borrower Begins Repayment*.
- ✧ If after 12 months the borrower is still in default:
  - If a collection firm has been unsuccessful, the school should change its collection firm and make a second effort to collect the loan.
  - If this is not possible, or if the second collection attempt fails, the school must generally begin litigation.
- ✧ Hold the borrower responsible for paying all reasonable collection costs, without regard to provisions of state law.
- ✧ Take appropriate steps if the borrower files for bankruptcy, including immediately stopping collection efforts outside of the bankruptcy proceedings.

✦ **If Litigation Must be Considered:**

- ✧ At least once a year until the applicable statute of limitations has expired, the school must determine whether litigation is required, based on Department of Education regulations. For example, litigation is not required if the total amount owed is $200 or less. (However, schools always have the option of litigation.)
- ✧ Attempt to recover all default-related costs, including previous collection costs as well as the cost of litigation.
- ✧ Deposit any funds recovered into an appropriate interest-bearing bank account.
- ✧ Return recovered funds to the Perkins Loan Fund, charging only permissible costs not recovered from the borrower to the Fund.

✦ **If the School Cannot Collect the Loan:**

- ✧ Request permission to assign the loan to ED, providing the required documentation within the specified period during which ED will accept assignments.
- ✧ If ED accepts the assignment, it acquires all rights, title, and interest in the loan. The school must send any payments the borrower makes to ED.

- ✧ If ED determines all or part of an assigned loan to be unenforceable due to the school's acts or omissions, the school must compensate its Perkins Loan Fund for the unenforceable portion of the outstanding balance.

- ✧ Consider the borrower of an assigned loan in default and therefore ineligible for Title IV aid, unless proof can be provided of satisfactory arrangements to repay the loan.

APPENDIX D

ANNUAL CAMPUS-BASED AUTHORIZATION LETTER

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

IN REPLY REFER TO:
OPE/SFAP/DPOS/CBPB

PRESIDENT
MYSTATE UNIVERSITY

DATE: MARCH 22, 1988

ENTITY NO:

OFFICIAL NOTICE OF FUNDING FOR THE SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT, COLLEGE WORK-STUDY AND/OR PERKINS LOAN PROGRAMS

GRANT PERIOD: JULY 1, 1988 THROUGH JUNE 30, 1989

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

DOCUMENT NUMBER: P007A81754 $455,000

CAN: 8E002854 APPROPRIATION NO: 918/90200(106) O.C.C. 41.31

COLLEGE WORK-STUDY PROGRAM

DOCUMENT NUMBER: P033A81754 $116,000

CAN: 8E002855 APPROPRIATION NO: 918/90200(106) O.C.C. 41.31

PERKINS LOAN PROGRAM

LEVEL OF EXPENDITURE:
DOCUMENT NUMBER:

FEDERAL CAPITAL CONTRIBUTION $325,000

CAN: APPROPRIATION NO: O.C.C. 41.31G

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REGIONAL OFFICES OF STUDENT FINANCIAL ASSISTANCE

REGION I
(CT, ME, MA, NH, RI, VT)

Office of Student Financial Assistance
U.S. Department of Education
J.W. McCormack Post Office and Courthouse
5 Post Office Square, Room 510
Boston, Massachusetts 02109
(617) 223-9338

REGION II
(NJ, NY, PR, VI, CANAL ZONE)

Office of Student Financial Assistance
U.S. Department of Education
26 Federal Plaza, Room 3954
New York, New York 10278
(212) 264-4426

REGION III
(DE, DC, MD, PA, VA, WV)

Office of Student Financial Assistance
U.S. Department of Education
3535 Market Street, Room 16200
Philadelphia, Pennsylvania 19104
(215) 596-0247

REGION IV
(AL, FL, GA, KY, MS, NC, SC, TN)

Office of Student Financial Assistance
U.S. Department of Education
101 Marietta Tower, Suite 2203
Atlanta, Georgia 30323
(404) 331-4171

REGION V
(IL, IN, MI, MN, OH, WI)

Office of Student Financial Assistance
U.S. Department of Education
401 South State Street, Room 700-D
Chicago, Illinois 60605
(312) 353-8103

REGION VI
(AR, LA, NM, OK, TX)

Office of Student Financial Assistance
U.S. Department of Education
1200 Main Tower Building, Room 2150
Dallas, Texas 75202
(214) 767-3811

REGION VII
(IA, KS, MO, NE)

Office of Student Financial Assistance
U.S. Department of Education
10220 North Executive Hills Blvd., 9th Floor
P.O. Box 901381
Kansas City, Missouri 64190
(816) 891-8055

REGION VIII
(CO, MT, ND, SD, UT, WY)

Office of Student Financial Assistance
U.S. Department of Education
1961 Stout Street, 3rd Floor
Denver, Colorado 80294
(303) 891-3676

REGION IX
(AZ, CA, HI, NV, AS, GUAM, PACIFIC ISLANDS)

Office of Student Financial Assistance
U.S. Department of Education
50 United Nations Plaza, Room 270
San Francisco, California 94102
(415) 556-5689

REGION X
(AK, ID, OR, WA)

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